
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Howkingtech International Holding Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

HOME OFFICE DEVELOPMENT LIMITED

(Incorporated in British Virgin Islands with limited liability)

**HOWKINGTECH INTERNATIONAL
HOLDING LIMITED**

濠暎科技國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2440)

**COMPOSITE DOCUMENT
RELATING TO MANDATORY UNCONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED
FOR AND ON BEHALF OF HOME OFFICE DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
HOWKINGTECH INTERNATIONAL HOLDING LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
HOME OFFICE DEVELOPMENT LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)
Financial adviser to Home Office Development Limited**



Independent financial adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

A letter from Lego Securities containing, amongst other things, details of the terms and conditions of the Offers is set out on pages 11 to 20 of this Composite Document. A letter from the Board is set out on pages 21 to 29 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation and advice to the Offer Shareholders and Optionholders on the Offers is set out on pages 30 to 31 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee on the Offers is set out on pages 32 to 57 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. The relevant Forms of Acceptance should be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) by no later than 4:00 p.m. on Friday, 28 March 2025 or such later time(s) and/or date(s) as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Any person including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "IMPORTANT NOTICES" contained in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.howkingtech.com as long as the Offers remain open.

* For identification purpose only

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document refer to Hong Kong times and dates.

Event	Time & Date 2025
Despatch date of this Composite Document and the accompanying Forms of Acceptance (<i>Note 1</i>)	Friday, 7 March
Offers open for acceptance (<i>Note 1</i>)	Friday, 7 March
Latest time and date for acceptance of the Offers (<i>Notes 2, 3 and 5</i>)	by 4:00 p.m. on Friday, 28 March
Closing Date (<i>Notes 2 and 3</i>)	Friday, 28 March
Announcement of the results of the Offers (or its extension or revision, if any) on the website of the Stock Exchange and the Company (<i>Note 2</i>)	by 7:00 p.m. on Friday, 28 March
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers (<i>Notes 4 and 5</i>)	Wednesday, 9 April

Notes:

1. The Offers, which are unconditional in all respects, are made on the date of despatch of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "6. Right of withdrawal" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed for acceptances on the Closing Date. The latest time and date for acceptance of the Offers will be at 4:00 p.m. on Friday, 28 March 2025 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange by no later than 7:00 p.m. on Friday, 28 March 2025, stating the results of the Offers and whether the Offers have been extended, revised or have closed for acceptance. In the event that the Offeror decides to extend or revise the Offers and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Offer Shareholders and Optionholders who have not accepted the Offers.
3. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements, details of which are set out in Appendix I to this Composite Document, for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable in respect of the Offer Shares tendered under the Share Offer will be despatched to the accepting Offer Shareholders by ordinary post at their own risk as soon as possible, and remittances in respect of the cash consideration payable for the Share Options tendered under the Option Offer will be despatched to the Optionholders by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) Business Days following the date of receipt by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) of the duly completed Forms of Acceptance and all requisite documents to render the acceptance under the Offers complete and valid in accordance with the Takeovers Code.
5. If there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning" or "extreme condition" caused by super typhoon:
 - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day and the posting of remittances will remain on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, as the case may be, the latest time for acceptance of the Offers and posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offers does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Offer Shareholders and Optionholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICES

NOTICE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The Offeror intends to make the Offers available to all Offer Shareholders and Optionholders, including the Overseas Shareholders and Overseas Optionholders. However, the availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the laws and regulations of the relevant jurisdiction in which they are resident. Overseas Shareholders and/or Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should fully observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the responsibilities of Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders and/or Overseas Optionholders in respect of such jurisdictions).

Please refer to the section headed “Availability of the Offers — Overseas Shareholders and Overseas Optionholders” of the “Letter from Lego Securities” contained in this Composite Document for further information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, the following terms shall have the meanings set out below, unless the context otherwise requires:

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“associate”	has the same meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	28 March 2025, being the closing date of the Offers, or if the Offers are extended, any subsequent closing date of the Offers as extended and jointly announced by the Offeror and the Company, and approved by the Executive in accordance with the Takeovers Code
“Company”	Howkingtech International Holding Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board (stock code: 2440)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the SPAs
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offers, the recommendation from the Independent Board Committee to the Offer Shareholders and the Optionholders and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offers
“Controlling Selling Shareholder”	Howkingtech Holding Limited, a company incorporated in the British Virgin Islands with limited liability which held 121,124,579 Shares, representing approximately 53.83% of the issued share capital of the Company immediately prior to Completion

DEFINITIONS

“Controlling Shareholder SPA”	the sale and purchase agreement dated 17 January 2025 entered into between the Controlling Selling Shareholder, the corresponding Guarantors and the Offeror in respect of the sale and purchase of 121,124,579 Sale Shares
“Director(s)”	the director(s) of the Company
“Dr. Chen”	Dr. Chen Ping, one of the Guarantors under the Controlling Shareholder SPA, an executive Director, the Chairman of the Board and the spouse of Ms. Wang
“Encumbrances”	any mortgage, charge, pledge, lien, option, hypothecation, right to acquire, right of first refusal, right of pre-emption, right of set-off, third party interest, trust for third parties, claims, other encumbrance or security interest of any kind, and any agreement or obligation to create or grant any of the aforesaid
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form(s) of Acceptance”	collectively, the PINK Form(s) of Option Offer Acceptance and the WHITE Form(s) of Share Offer Acceptance
“Group”	the Company and its subsidiaries from time to time
“Guarantor(s)”	the guarantor(s) under the respective applicable SPAs, being Dr. Chen, Ms. Wang and Ms. Jin under the Controlling Shareholder SPA, Ningbo Xinhui Qianhai Equity Investment Co., Ltd. (寧波信匯前海股權投資有限公司) under the Other SPA 1, Chen Ning (陳寧) under the Other SPA 3, Shanghai Moshan Private Fund Management Company Ltd. (上海魔善私募基金管理有限公司) under the Other SPA 4, Li Xubing (李許兵) under the Other SPA 7 and Huang Huifang (黃惠芳) under the Other SPA 8
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees Limited”	a wholly-owned subsidiary of HKSCC

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Gu Jiong, Mr. Yang Hai and Mr. Fong Wo, Felix, which has been established to advise the Offer Shareholders in respect of the Share Offer and the Optionholders in respect of the Option Offer and as to whether the Offers are fair and reasonable and as to acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code
“Independent Financial Adviser” or “Innovax Capital”	Innovax Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed by the Independent Board Committee in connection with the Offers
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 24 January 2025 in relation to, among others, the Offers
“Last Trading Day”	17 January 2025, being the last trading day immediately before the date of the Joint Announcement
“Latest Practicable Date”	4 March 2025, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained therein
“Lego Corporate Finance”	Lego Corporate Finance Limited, a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offers
“Lego Securities”	Lego Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offers on behalf of the Offeror

DEFINITIONS

“Listing Rules”	the Rules Governing and Listing of Securities on the Stock Exchange
“Loss Estimate”	as defined in the section headed “LOSS ESTIMATE” in the Letter from the Board contained in this Composite Document
“Main Board”	the main board operated and maintained by the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 2 September 2024 (as supplemented by amendment letters dated 8 October 2024, 12 December 2024 and 30 December 2024, respectively) entered into between the Controlling Selling Shareholder and Memeland Limited, which is wholly-owned by Mr. Chan Chin Ching and is a party acting in concert with the Offeror, in relation to the intended sale and purchase of the relevant Sale Shares
“Mr. Feng”	Mr. Feng Yijing, an executive Director and one of the Optionholders
“Mr. Wang”	Mr. Wang Jun, an executive Director and one of the Optionholders
“Ms. Jin”	Ms. Jin Yan, one of the Guarantors under the Controlling Shareholder SPA, a shareholder of the Controlling Selling Shareholder who directly held 43.20% of the total issued share capital thereof as at the date of the Controlling Shareholder SPA and immediately prior to Completion
“Ms. Wang”	Ms. Wang Zheshi, one of the Guarantors under the Controlling Shareholder SPA, an executive Director, the spouse of Dr. Chen and a shareholder of the Controlling Selling Shareholder who directly held 56.80% of the total issued share capital thereof as at the date of the Controlling Shareholder SPA and immediately prior to Completion
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from the date of the Joint Announcement and ending on the Closing Date

DEFINITIONS

“Offer Share(s)”	any and all the Shares in issue (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it)
“Offer Shareholder(s)”	holder(s) of Share(s), other than the Offeror and parties acting in concert with it
“Offeror”	Home Office Development Limited, a company incorporated in British Virgin Islands with limited liability and directly wholly owned by Mr. Chan Chin Ching as at the Latest Practicable Date
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the unconditional mandatory cash offer being made by Lego Securities on behalf of the Offeror for the cancellation of the Share Options in accordance with the Takeovers Code
“Option Offer Price”	the price at which the Option Offer will be made, being HK\$0.0001 for the cancellation of each Share Option held by the Optionholders
“Optionholder(s)”	holder(s) of the Share Options
“Other Selling Shareholder 1”	Shanghai Jinyuan Changfu Enterprise Management Partnership (Limited Partnership) (上海進源長富企業管理合夥企業(有限合夥)), a beneficial owner of 14,214,000 Shares, representing approximately 6.32% of the issued share capital of the Company as at the date of the Other SPA 1 and immediately prior to Completion
“Other Selling Shareholder 2”	Huang Jianzhong (黃建忠), a beneficial owner of 7,475,891 Shares, representing approximately 3.32% of the issued share capital of the Company as at the date of the Other SPA 2 and immediately prior to Completion
“Other Selling Shareholder 3”	Shenzhen Zhichen Wuqi Venture Investment Partnership (Limited Partnership) (深圳智宸五期創業投資合夥企業(有限合夥)), a beneficial owner of 3,644,757 Shares, representing approximately 1.62% of the issued share capital of the Company as at the date of the Other SPA 3 and immediately prior to Completion

DEFINITIONS

“Other Selling Shareholder 4”	Shanghai Moxian Investment Limited Partnership (LLP) (上海魔弦創業投資合夥企業(有限合夥)) (formerly known as Zhangzhou Merchants Economic Development District Heze Limited Partnership (Limited Partnership) (漳州招商局經濟技術開發區合澤股權投資合夥企業(有限合夥))), a beneficial owner of 3,061,618 Shares, representing approximately 1.36% of the issued share capital of the Company as at the date of the Other SPA 4 and immediately prior to Completion
“Other Selling Shareholder 5”	Meng Xianfeng (孟憲鋒), a beneficial owner of 2,131,394 Shares, representing approximately 0.95% of the issued share capital of the Company as at the date of the Other SPA 5 and immediately prior to Completion
“Other Selling Shareholder 6”	Li Qiong (李瓊), a beneficial owner of 2,131,394 Shares, representing approximately 0.95% of the issued share capital of the Company as at the date of the Other SPA 6 and immediately prior to Completion
“Other Selling Shareholder 7”	Zibo Puhao Equity Investment Partnership (Limited Partnership) (淄博浦濠股權投資合夥企業(有限合夥)), a beneficial owner of 2,102,700 Shares, representing approximately 0.93% of the issued share capital of the Company as at the date of the Other SPA 7 and immediately prior to Completion
“Other Selling Shareholder 8”	Shenzhen Brightmin Management Consulting Partnership (Limited Partnership) (深圳市亮敏管理諮詢合夥企業(有限合夥)), a beneficial owner of 1,869,067 Shares, representing approximately 0.83% of the issued share capital of the Company as at the date of the Other SPA 8 and immediately prior to Completion
“Other Selling Shareholders”	collectively, the Other Selling Shareholder 1, the Other Selling Shareholder 2, the Other Selling Shareholder 3, the Other Selling Shareholder 4, the Other Selling Shareholder 5, the Other Selling Shareholder 6, the Other Selling Shareholder 7 and the Other Selling Shareholder 8

DEFINITIONS

“Other SPA 1”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 1, the corresponding Guarantor and the Offeror in respect of the sale and purchase of 14,214,000 Sale Shares
“Other SPA 2”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 2 and the Offeror in respect of the sale and purchase of 7,475,891 Sale Shares
“Other SPA 3”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 3, the corresponding Guarantor and the Offeror in respect of the sale and purchase of 3,644,757 Sale Shares
“Other SPA 4”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 4, the corresponding Guarantor and the Offeror in respect of the sale and purchase of 3,061,618 Sale Shares
“Other SPA 5”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 5 and the Offeror in respect of the sale and purchase of 2,131,394 Sale Shares
“Other SPA 6”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 6 and the Offeror in respect of the sale and purchase of 2,131,394 Sale Shares
“Other SPA 7”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 7, the corresponding Guarantor and the Offeror in respect of the sale and purchase of 2,102,700 Sale Shares
“Other SPA 8”	the sale and purchase agreement dated 17 January 2025 entered into between the Other Selling Shareholder 8, the corresponding Guarantor and the Offeror in respect of the sale and purchase of 1,869,067 Sale Shares

DEFINITIONS

“Other SPAs”	collectively, the Other SPA 1, the Other SPA 2, the Other SPA 3, the Other SPA 4, the Other SPA 5, the Other SPA 6, the Other SPA 7 and the Other SPA 8
“Overseas Optionholder(s)”	Optionholder(s) whose address(es), as shown on the register of Optionholders of the Company, is/are outside Hong Kong
“Overseas Shareholder(s)”	Offer Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PINK Form(s) of Option Offer Acceptance”	PINK form(s) of acceptance and cancellation of the Share Options in respect of the Option Offer accompanying this Composite Document
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, Macau and Taiwan
“Profit Warning Announcements”	collectively, the Profit Warning Initial Announcement and the Profit Warning Clarification Announcement, which should be read in conjunction with each other
“Profit Warning Clarification Announcement”	the clarification announcement of the Company dated 28 February 2025 to the Profit Warning Initial Announcement, which should be read in conjunction with the Profit Warning Initial Announcement
“Profit Warning Initial Announcement”	the profit warning announcement of the Company dated 21 February 2025, which is supplemented by and should be read in conjunction with the Profit Warning Clarification Announcement
“Registrar”	Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, being the agent to receive the WHITE Forms of Share Offer Acceptance under the Share Offer
“Relevant Period”	the period from 24 July 2024, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale Share(s)”	an aggregate of 157,755,400 Shares beneficially owned by the Selling Shareholders as at the date of the SPAs, representing approximately 70.11% of the total issued share capital of the Company as at the date of the SPAs
“Selling Shareholders”	collectively, the Controlling Selling Shareholder and the Other Selling Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of a par value of US\$0.01 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 16 May 2023
“Share Offer”	the mandatory unconditional cash offer being made by Lego Securities on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
“Share Offer Price”	the price at which the Share Offer is being made, being HK\$0.889 per Offer Share
“Share Option(s)”	the outstanding share options granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 11 November 2022
“Shareholder(s)”	holder(s) of the Share(s)
“SPAs”	collectively, the Controlling Shareholder SPA and the Other SPAs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“US\$”	United States dollars, the lawful currency of The United States of America

DEFINITIONS

“WHITE Form(s) of Share Offer Acceptance” the WHITE form(s) of acceptance in respect of the Share Offer accompanying this Composite Document

“%” per cent.

For the purpose of this Composite Document, unless otherwise specified, conversion of RMB to HK\$ is calculated based on the approximate exchange rate of RMB1.00 to HK\$1.0621. This exchange rate is adopted for illustrative purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this rate or any other rates at all.

In the case of inconsistency, the English text of this Composite Document shall prevail over the Chinese text.

*** The English translation of Chinese names or words in this Composite Document, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

LETTER FROM LEGO SECURITIES



Lego Securities Limited
Room 1506, 15/F,
Wheelock House,
20 Pedder Street,
Central, Hong Kong

7 March 2025

To the Offer Shareholders and the Optionholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED
FOR AND ON BEHALF OF HOME OFFICE DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
HOWKINGTECH INTERNATIONAL HOLDING LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
HOME OFFICE DEVELOPMENT LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement and the announcement dated 27 January 2025 jointly issued by the Offeror and the Company in relation to, among others, the SPAs and the Offers. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document.

As disclosed in the Joint Announcement, on 17 January 2025 (after trading hours), the Selling Shareholders, the corresponding Guarantors (where applicable in respect of the Controlling Shareholder SPA, the Other SPA 1, the Other SPA 3, the Other SPA 4, the Other SPA 7 and the Other SPA 8 only) and the Offeror entered into the respective SPAs, pursuant to which the Selling Shareholders have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 157,755,400 Sale Shares, representing approximately 70.11% of the entire issued share capital of the Company as at the date of the SPAs, for a total consideration of HK\$140,244,550.2 (equivalent to approximately HK\$0.889 per Sale Share). Completion took place on 27 January 2025.

Immediately upon Completion, the Offeror and parties acting in concert with it became interested in a total of 157,755,400 Shares, representing approximately 70.11% of the total issued share capital of the Company immediately upon Completion or approximately 67.42% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers (i) to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and (ii) to cancel all the outstanding Share Options.

LETTER FROM LEGO SECURITIES

This letter forms part of this Composite Document which sets out, among others, principal details of the Offers, information on the Offeror and the intention of the Offeror on the Group. Further details of the Offers are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

MANDATORY UNCONDITIONAL CASH OFFERS

Principal details of the Offers

Lego Securities is, on behalf of the Offeror and in compliance with the Takeovers Code, making the Offers on the following basis:

The Share Offer

For each Offer Share HK\$0.889 in cash

The Share Offer Price of HK\$0.889 per Offer Share is marginally higher than the consideration of approximately HK\$0.889 (after rounding up to 3 decimal places) per Sale Share under each of the SPAs. The Offer Shares to be acquired under the Share Offer shall be fully paid and free and clear of any Encumbrances together with all rights attaching thereto, including the right to receive all and any dividends, distribution and other rights declared, made, distributed or paid on or after the date on which the Share Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, no outstanding dividend declared by the Company remained unpaid, and the Board advised that the Company has no intention to make, declare or pay any future dividend or make other distributions until after the close of the Share Offer.

The Option Offer

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

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making an appropriate cash offer to the Optionholders for the cancellation of the Share Options. The Option Offer Price would normally be the see-through price which represents the amount by which the Share Offer Price per Offer Share exceeds the exercise price of each Share Option. Under the Option Offer, as the exercise price of all outstanding Share Options exceeds the Share Offer Price, the "see-through" price is negative and the Option Offer Price is at the nominal amount of HK\$0.0001 per Share Option.

The Share Offer is extended to all Offer Shareholders and the Option Offer is extended to all Optionholders (whether their respective Share Options are vested or not) in accordance with the Takeovers Code. Following acceptance of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers are unconditional in all aspects when being made, and will not be conditional upon any minimum level of acceptances being received or any other conditions.

LETTER FROM LEGO SECURITIES

Comparison of value

The Share Offer Price of HK\$0.889 per Offer Share represents:

- (i) a discount of approximately 71.32% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.41% over the closing price of HK\$0.820 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 19.81% over the average closing price of HK\$0.742 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 28.84% over the average closing price of HK\$0.690 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 19.17% over the average closing price of approximately HK\$0.746 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 27.01% to the audited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$1.218 per Share as at 31 December 2023, calculated by dividing the audited consolidated net asset value of the Company attributable to the Shareholders of approximately RMB268,377,000 (equivalent to approximately HK\$285,043,212) as at 31 December 2023 by 233,974,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 19.03% to the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$1.098 per Share as at 30 June 2024, calculated by dividing the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately RMB241,830,000 (equivalent to approximately HK\$256,847,643) as at 30 June 2024 by 233,974,000 Shares in issue as at the date of the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$3.74 per Share on 21 February 2025 and HK\$0.60 per Share on 7 January 2025, respectively.

LETTER FROM LEGO SECURITIES

Value of the Offers

As at the Latest Practicable Date, the Company had a total of 233,974,000 Shares in issue and 13,376,000 outstanding Share Options.

Assuming no Share Options will be exercised prior to the close of the Offers, there will be 233,974,000 issued Shares. Excluding the 157,755,400 Shares held by the Offeror and/or parties acting in concert with it as at the Latest Practicable Date; and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offers, (a) 76,218,600 Shares will be subject to the Share Offer and the value of the Share Offer will be HK\$67,758,335.4; and (b) the total consideration required to satisfy the cancellation of all the outstanding Share Options will be HK\$1,337.6. Accordingly, on the basis of full acceptance of the Offers, the maximum cash consideration payable by the Offeror under the Offers would be HK\$67,759,673.0.

Assuming all Share Options will be exercised prior to the close of the Offers, there will be 247,350,000 issued Shares. Excluding the 157,755,400 Shares held by the Offeror and/or parties acting in concert with it as at the Latest Practicable Date; and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offers, (a) 89,594,600 Shares will be subject to the Share Offer and the value of the Share Offer will be HK\$79,649,599.4; and (b) the total consideration required to satisfy the cancellation of all the outstanding Share Options will be nil. Accordingly, on the basis of full acceptance of the Offers, the maximum cash consideration payable by the Offeror under the Offers would be HK\$79,649,599.4.

Confirmation of financial resources

The Offeror intends to finance and satisfy the consideration payable under the Offers from its internal resources.

Lego Corporate Finance, being the financial advisers to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable by the Offeror upon full acceptance of the Offers.

Effect of accepting the Offers

By accepting the Share Offer, the Offer Shareholders will sell their tendered Shares to the Offeror which shall be fully paid and free and clear of any lien and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. As at the Latest Practicable Date, no outstanding dividend declared by the Company remained unpaid, and it was advised by the Board that the Company has no intention to make, declare or pay any future dividend or make other distributions until after the close of the Share Offer.

LETTER FROM LEGO SECURITIES

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Share Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of despatch of this Composite Document.

Acceptances of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Validity of Share Options upon close of the Offers

Pursuant to the Share Option Scheme, when this Composite Document is despatched, the Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to the Company within 21 days after the despatch of this Composite Document exercise the Share Options (not already exercised, whether vested or not vested) to its full extent or to the extent specified in such notice and after which, in accordance with the rules of the Share Option Scheme, the Share Options shall lapse automatically. **Accordingly, if the Optionholders do not take any action (exercise the Share Options or accept the Option Offer), their Share Options will lapse automatically.**

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty will be payable by the Offer Shareholders on acceptances of the Share Offer at a rate of 0.10% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and the amount of such duty will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

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

Payment

Payment in cash in respect of the Offers will be made as soon as possible but in any event no later than seven (7) Business Days after the date on which the duly completed Form(s) of Acceptance and the relevant documents of title of the Shares or the Share Options (as the case may be) are received by the Registrar in respect of the Share Offer or the Company in respect of the Option Offer to render each such acceptance under the Offers complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of cash consideration payable to any person who accept the Offers will be rounded up to the nearest cent.

LETTER FROM LEGO SECURITIES

Taxation advice

Offer Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or parties acting in concert with it, the Company, Lego Securities, Lego Corporate Finance, Innovax Capital, Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Availability of the Offers

The Offeror intends to make the Offers available to all Offer Shareholders and Optionholders, including the Overseas Shareholders and Overseas Optionholders. Based on the register of members of the Company, as at the Latest Practicable Date, 773,000 Shares (representing 0.28% of the total number of issued Shares) and 6,261,035 Shares (representing 2.68% of the total number of issued Shares) were held by Overseas Shareholders with registered address in New Zealand and Taiwan, respectively. However, the availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the laws and regulations of the relevant jurisdiction in which they are resident. Overseas Shareholders and/or Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should fully observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the responsibilities of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders and/or Overseas Optionholders in respect of such jurisdictions).

Any acceptance of the Offers by any Overseas Shareholders and/or Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and/or Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability, and is directly wholly owned by Mr. Chan Chin Ching. The directors of the Offeror are Mr. Chan Chin Ching and Mr. Chan Chin Chun, who are brothers of each other.

Mr. Chan Chin Ching (Ray), aged 41, is a technology entrepreneur and investor born and raised in Hong Kong. He is the CEO and co-founder of Memeland, a Web3 venture studio building and investing in content, community, and culture. He is also the CEO and co-founder of 9GAG, currently one of the world's top three social media platforms in the humor category based on traffic share, according to similarweb.com, with the mission to make the world happier.

LETTER FROM LEGO SECURITIES

Ray's entrepreneurial journey began in 2008 when he and his co-founders launched 9GAG. Today, the platform has a global audience of 200 million across various social media channels, including Instagram (56 million), Facebook (40 million), X (16 million), Threads (6.5 million), Pinterest (3.9 million), TikTok (2.8 million), and WhatsApp (1.8 million). 9GAG, with a global user base and influence on internet culture, serves as an example of a technology company from Hong Kong achieving global reach.

Driven by his vision and passion for blockchain technology, Ray founded Memeland in 2022. Despite turbulent market conditions, Ray has quickly led Memeland to become a leader in Web3, creating Asia's No. 1 digital collectible brand, according to nftnow.com, by adopting a new paradigm of building blockchain-enabled social products that embrace internet culture and real-world utilities. Memeland has attracted major brand partnerships and, in turn, enhanced community engagement and fueled business growth.

Ray's X account (account name 9GAGCEO) has 1.9 million followers. He has been selected as one of the 50 most influential people in crypto by CoinDesk in 2024. He has also been named NFT Now's NFT100 in 2023, Prestige's 40 Under 40 in 2021, and Tatler's Gen.T Leaders of Tomorrow in 2018, among other accolades. He frequently shares his insights and experiences at universities and global conferences. Ray has been featured in top international media outlets, including CNN, CNBC, Forbes, and The Wall Street Journal. The City University of Hong Kong Press has recently published a book titled "Innovative Attitude: 6+ Trailblazing Startup Founders", which chronicles Ray's startup journey.

Ray currently serves as an honorary advisor to the World Vision Hong Kong, a board member of the Hong Kong Genome Institute, and a member of the HKSAR Government's Steering Committee on Prevention and Control of Non-Communicable Diseases.

Ray graduated from The University of Hong Kong with a Bachelor of Laws degree.

INTENTION OF THE OFFEROR ON THE GROUP

The Group is principally engaged in the provision of (i) data transmission and processing services for Internet of Thing ("IoT") applications in the PRC; and (ii) telecommunication equipment in the PRC. It is the intention of the Offeror to continue with the Group's existing principal business activities. In particular, the Offeror intends to expand the existing businesses of the Group through, among others, exploring business opportunities related to artificial intelligence, digital assets and Web3.

The convergence of IoT (existing business) and nextgen technologies (i.e. artificial intelligence, digital assets, and Web3) would create Decentralized Physical Infrastructure Networks ("DePIN(s)") that could potentially unlock new economies and tap into new markets geographically, i.e. outside of the PRC. DePINs enhance the interconnectivity of physical infrastructures, such as IoT devices, internet networks and cloud computing, and can be used to automate processes, manage data and ensure secure peer-to-peer interactions.

LETTER FROM LEGO SECURITIES

It is intended that the Offeror's expansion plan shall be achieved through seizing business opportunities including but not limited to the enablement of peer-to-peer applications that run on blockchain networks such as Ethereum, the integration of artificial intelligence and machine learning, and the expansion of decentralised networks.

An imminent use case of DePIN is smart cities that are adopting a Web3 strategy.

The Offeror is optimistic about the convergence of IoT and Web3, which paves the way for innovative real world use cases across various industries, enhancing security, efficiency, user control and scalability. As the Company has been engaged in the businesses of provision of data transmission and processing services for IoT applications for years, the Offeror is of the view that the Company has established an extensive network and reputation in the IoT industry, and that the Offeror will be able to grow the Company's business under its direction upon becoming the controlling Shareholder through the acquisition of the Sale Shares.

In addition, independent due diligence has been conducted prior to the acquisition of the Sale Shares, where no material issues were revealed by both financial and legal due diligence on the Group, and the Offeror was reasonably satisfied with the results.

Following the close of the Offers, the Offeror will conduct a review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth.

In view of the aforesaid, the Offeror is of the view that the Offers are in its long-term commercial interest.

Save for the Offeror's intention as set out above, as at the Latest Practicable Date, the Offeror had no intention (i) to make any significant changes to the employment of any key employees of the Group (except for the proposed changes, if any, to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate, as further disclosed in the paragraph headed "Proposed change to the Board composition of the Company" below); (ii) to introduce any major changes to the existing operations and business of the Group; and (iii) to downsize, cease or dispose of any of the existing businesses, operations and assets of the Group (including but not limited to the Group's fixed assets which are not in the ordinary and usual course of business of the Group) as a result of completion of the Offers. However, the Offeror reserved the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

LETTER FROM LEGO SECURITIES

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

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprised four executive Directors, namely Dr. Chen Ping, Ms. Wang Zheshi, Mr. Feng Yijing and Mr. Wang Jun, and three independent non-executive Directors, namely, Mr. Gu Jiong, Mr. Yang Hai and Mr. Fong Wo, Felix.

No Directors will resign before the close of the Offers. It is the intention of the Offeror to nominate new director(s) to the Board after the despatch of the Composite Document and with effect from the earliest time permitted under the applicable laws, rules and regulations, the Listing Rules and the Takeovers Code, whichever is the latest. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new director(s) of the Company. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and the Listing Rules and further announcement(s) will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing status of the Shares on the Main Board after the close of the Offers.

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

The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include but not limited to placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. No arrangements had been confirmed or put in place as at the Latest Practicable Date Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers set out in the Appendix I to this Composite Document and the accompanying Forms of Acceptance.

LETTER FROM LEGO SECURITIES

COMPULSORY ACQUISITION

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

GENERAL

All documents and remittances to be sent to the Offer Shareholders and the Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company and in the case of joint Offer Shareholders, to such Offer Shareholder whose name appears first in the register of members of the Company, or in the case of joint Offer Optionholders, to such Optionholder whose name appears first in the records of the Company. None of the Offeror, the Company, Lego Securities, Lego Corporate Finance, Innovax Capital, Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form parts of this Composite Document. You are reminded to read carefully the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document, before deciding whether or not to accept the Offers.

If you are in doubt about your position in connection with the Offers, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Yours faithfully,
For and on behalf of
Lego Securities Limited
Kelvin Li
Director

LETTER FROM THE BOARD

Howkingtech International Holding Limited

濠曝科技國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2440)

Executive Directors:

Dr. Chen Ping (*Chairman*)

Ms. Wang Zheshi

Mr. Feng Yijing

Mr. Wang Jun

Registered Office:

89 Nexus Way

Camana Bay

Grand Cayman KY1-9009

Cayman Islands

Independent Non-executive Directors:

Mr. Gu Jiong

Mr. Yang Hai

Mr. Fong Wo, Felix

Principal Place of Business

in Hong Kong:

Room 1920

19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

7 March 2025

To the Offer Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED
FOR AND ON BEHALF OF HOME OFFICE DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
HOWKINGTECH INTERNATIONAL HOLDING LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
HOME OFFICE DEVELOPMENT LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement and the announcement dated 27 January 2025 jointly issued by the Offeror and the Company in relation to, among others, the SPAs and the Offers. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document.

* For identification purpose only

LETTER FROM THE BOARD

As disclosed in the Joint Announcement, on 17 January 2025 (after trading hours), the Selling Shareholders, the corresponding Guarantors (where applicable in respect of the Controlling Shareholder SPA, the Other SPA 1, the Other SPA 3, the Other SPA 4, the Other SPA 7 and the Other SPA 8 only) and the Offeror entered into the respective SPAs, pursuant to which the Selling Shareholders have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 157,755,400 Sale Shares, representing approximately 70.11% of the entire issued share capital of the Company as at the date of the SPAs, for a total consideration of HK\$140,244,550.2 (equivalent to approximately HK\$0.889 per Sale Share). Completion took place on 27 January 2025.

Immediately upon Completion, the Offeror and parties acting in concert with it became interested in a total of 157,755,400 Shares, representing approximately 70.11% of the total issued share capital of the Company immediately upon Completion or approximately 67.42% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers (i) to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and (ii) to cancel all the outstanding Share Options.

The purpose of this Composite Document is to provide you with, among others, details of the Offers, the recommendation from the Independent Board Committee to the Offer Shareholders and the Optionholders, and the advice from the Independent Financial Adviser in respect of the Offers, together with the Form(s) of Acceptance.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Gu Jiong, Mr. Yang Hai and Mr. Fong Wo, Felix, has been established to make recommendations to the Offer Shareholders and the Optionholders as to whether the Share Offer and the Option Offer are fair and reasonable and as to the acceptance of the Share Offer and the Option Offer.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee in respect of the Offers and as to whether the Offers are fair and reasonable and as to acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Offer Shareholders and the Optionholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any actions in respect of the Offers.

LETTER FROM THE BOARD

MANDATORY UNCONDITIONAL CASH OFFERS

Immediately prior to Completion, the Offeror, its ultimate beneficial owner or parties acting in concert with any of them did not own, control or have direction over any Shares or any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which are convertible and exchangeable into Shares. Immediately upon Completion, the Offeror and parties acting in concert with it are in aggregate interested in a total of 157,755,400 Shares, representing approximately 70.11% of the total issued share capital of the Company immediately upon Completion or approximately 67.42% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers (i) to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and (ii) to cancel all the outstanding Share Options.

As at the Latest Practicable Date, the Company had (i) a total of 233,974,000 Shares in issue; and (ii) 13,376,000 outstanding Share Options conferring rights to subscribe for 13,376,000 new Shares with an exercise price of HK\$1.56 per Share Option, all of which had been granted pursuant to the Share Option Scheme. Save for the Share Options mentioned above, the Company did not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into the Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. The Company had no intention to grant any new share awards under the Share Award Scheme during the Offer Period.

Principal details of the Offers

Lego Securities is, on behalf of the Offeror and in compliance with the Takeovers Code, making the Offers on the following basis:

The Share Offer

For each Offer Share HK\$0.889 in cash

The Share Offer Price of HK\$0.889 per Offer Share is marginally higher than the consideration of approximately HK\$0.889 (after rounding up to 3 decimal places) per Sale Share under each of the SPAs. The Offer Shares to be acquired under the Share Offer shall be fully paid and free and clear of any Encumbrances together with all rights attaching thereto, including the right to receive all and any dividends, distribution and other rights declared, made, distributed or paid on or after the date on which the Share Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, no outstanding dividend declared by the Company remained unpaid, and the Board advised that the Company has no intention to make, declare or pay any future dividend or make other distributions until after the close of the Share Offer.

LETTER FROM THE BOARD

The Option Offer

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

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making an appropriate cash offer to the Optionholders for the cancellation of the Share Options. The Option Offer Price would normally be the see-through price which represents the amount by which the Share Offer Price per Offer Share exceeds the exercise price of each Share Option. Under the Option Offer, as the exercise price of all outstanding Share Options exceeds the Share Offer Price, the “see-through” price is negative and the Option Offer Price is at the nominal amount of HK\$0.0001 per Share Option.

The Share Offer is extended to all Offer Shareholders and the Option Offer is extended to all Optionholders (whether their respective Share Options are vested or not) in accordance with the Takeovers Code. Following acceptance of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers are unconditional in all aspects when being made, and will not be conditional upon any minimum level of acceptances being received or any other conditions.

Comparison of value

The Share Offer Price of HK\$0.889 per Offer Share represents:

- (i) a discount of approximately 71.32% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.41% over the closing price of HK\$0.820 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 19.81% over the average closing price of HK\$0.742 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 28.84% over the average closing price of HK\$0.690 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 19.17% over the average closing price of approximately HK\$0.746 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM THE BOARD

- (vi) a discount of approximately 27.01% to the audited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$1.218 per Share as at 31 December 2023, calculated by dividing the audited consolidated net asset value of the Company attributable to the Shareholders of approximately RMB268,377,000 (equivalent to approximately HK\$285,043,212) as at 31 December 2023 by 233,974,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 19.03% to the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$1.098 per Share as at 30 June 2024, calculated by dividing the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately RMB241,830,000 (equivalent to approximately HK\$256,847,643) as at 30 June 2024 by 233,974,000 Shares in issue as at the date of the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$3.74 per Share on 21 February 2025 and HK\$0.60 per Share on 7 January 2025, respectively.

Value of the Offers

Your attention is drawn to the section headed “Value of the Offers” in the “Letter from Lego Securities” contained in this Composite Document which sets out the value of the Offers.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board. The Group is principally engaged in the provision of (i) data transmission and processing services for Internet of Thing applications; and (ii) telecommunication equipment in the PRC.

Your attention is drawn to Appendices II and IV to this Composite Document which contain financial information and general information of the Group.

LETTER FROM THE BOARD

LOSS ESTIMATE

Reference is made to the Profit Warning Announcements according to which, among others, based on a preliminary review of the management accounts of the Group for the year ended 31 December 2024 and the information currently made available to the Board, the Group is expected to record a net loss for the year ended 31 December 2024 of RMB68.0 million to RMB83.0 million compared to a net profit of approximately RMB25.5 million for the year ended 31 December 2023 (the “**Loss Estimate**”).

As disclosed in the Profit Warning Announcements, the Group is expected to record a decrease in its revenue for the year ended 31 December 2024 by 75% to 85% compared to approximately RMB440.6 million for the year ended 31 December 2023. Such estimated decrease in revenue during the year ended 31 December 2024 is mainly attributable to (i) a decrease in revenue from data transmission and processing services because the Group’s clients in the IoT industry have delayed their projects taking into consideration of their concerns in cashflows and uncertainty in macroeconomic condition; and (ii) a decrease in revenue from sales of equipment due to the lack of customer demand during the year ended 31 December 2024. The aforesaid estimated decrease in revenue, together with (i) a decrease in gross margin as a result of the intensified market competition; and (ii) an increase in impairment losses on trade receivables due to slower collection, resulted in the estimated net loss position of the Group for the year ended 31 December 2024.

The Loss Estimate constitutes a profit forecast for the purposes of Rule 10 of the Takeovers Code and as it is made during the Offer Period, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code with respect to profit forecasts.

The Loss Estimate has been reported by Ernst & Young, the auditors of the Company, and Ernst & Young has reported that, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Group for the year ended 31 December 2023. The Independent Financial Adviser is satisfied that the Loss Estimate has been made by the Directors with due care and consideration.

Your attention is drawn to the reports issued by Ernst & Young and the Independent Financial Adviser on the Loss Estimate as set out in Appendix V and Appendix VI to this Composite Document, respectively.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; (ii) immediately after Completion; and (iii) as at the Latest Practicable Date.

Shareholders	Immediately prior to Completion		Immediately after Completion		As at the Latest Practicable Date		Immediately before the Offers are made (on the basis that all outstanding Share Options had been exercised)	
	Number of Shares (Approximate)	%	Number of Shares (Approximate)	%	Number of Shares (Approximate)	%	Number of Shares (Approximate)	%
The Offeror and parties acting in concert with it	-	-	157,755,400	70.11	157,755,400	67.42	157,755,400	63.78
The Controlling Selling Shareholder and parties acting in concert with it								
- Vendor	121,124,579	53.83	-	-	-	-	-	-
- Ms. Wang (Notes 1 and 2)	-	-	-	-	-	-	7,977,097	3.23
Sub-total	121,124,579	53.83	-	-	-	-	7,977,097	3.23
Other Selling Shareholders								
- Other Selling Shareholder 1	14,214,000	6.32	-	-	-	-	-	-
- Other Selling Shareholder 2	7,475,891	3.32	-	-	-	-	-	-
- Other Selling Shareholder 3	3,644,757	1.62	-	-	-	-	-	-
- Other Selling Shareholder 4	3,061,618	1.36	-	-	-	-	-	-
- Other Selling Shareholder 5	2,131,394	0.95	-	-	-	-	-	-
- Other Selling Shareholder 6 (Notes 1 and 2)	2,131,394	0.95	-	-	-	-	-	-
- Other Selling Shareholder 7	2,102,700	0.93	-	-	-	-	-	-
- Other Selling Shareholder 8	1,869,067	0.83	-	-	-	-	-	-
Sub-total	36,630,821	16.28	-	-	-	-	-	-
Other Directors								
- Mr. Feng (Notes 1 and 2)	-	-	-	-	-	-	1,500,416	0.61
- Mr. Wang (Notes 1 and 2)	-	-	-	-	-	-	2,610,487	1.06
Sub-total	-	-	-	-	-	-	4,110,903	1.67
Public Shareholders (Notes 1 and 2)	67,244,600	29.89	67,244,600	29.89	76,218,000	32.58	77,506,600	31.32
Total	225,000,000	100.00	225,000,000	100.00	233,974,000	100.00	247,350,000	100.00

LETTER FROM THE BOARD

Notes:

1. After Completion, 925,000 Share Options, 4,413,000 Share Options, 574,000 Share Options, 325,000 Share Options and 2,737,000 Share Options had been exercised by Ms. Wang, Mr. Feng, Mr. Wang, the Other Selling Shareholder 6 and certain remaining employees of the Group, respectively, upon which an aggregate of 8,974,000 Shares had been issued and sold in the market in full.
2. As at the Latest Practicable Date, 7,977,097 Shares Options, 1,500,416 Share Options and 2,610,487 Share Options granted respectively to Ms. Wang, Mr. Feng and Mr. Wang were outstanding, and an aggregate of 1,288,000 Share Options granted to three employee participants were outstanding.
3. The percentages presented above are subject to rounding.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “INFORMATION ON THE OFFEROR” in the “Letter from Lego Securities” contained in, and Appendix III to, this Composite Document.

INTENTION OF THE OFFEROR ON THE GROUP

Your attention is drawn to the section headed “INTENTION OF THE OFFEROR ON THE GROUP” in the “Letter from Lego Securities” contained in, and Appendix III to, this Composite Document.

The Board noted that it is the intention of the Offeror to continue with the Group’s existing principal business activities and expand the existing businesses of the Group through, among others, exploring business opportunities related to artificial intelligence, digital assets and Web3 after the close of the Offers. Following the close of the Offers, the Offeror will conduct a review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group’s long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth.

The Board is aware of the Offeror’s intentions in respect of the Group and its employees and is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

Save for the Offeror’s intention as set out above, as at the Latest Practicable Date, the Offeror had no intention (i) to make any significant changes to the employment of any key employees of the Group (except for the proposed changes, if any, to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate, as further disclosed in the paragraph headed “PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY” below); (ii) to introduce any major changes to the existing operations and business of the Group; and (iii) to dispose of the Group’s fixed assets which are not in the ordinary and usual course of business of the Group as a result of completion of the Offers. However, the Offeror reserved the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group.

LETTER FROM THE BOARD

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

Your attention is drawn to the section headed “PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY” in the “Letter from Lego Securities” contained in this Composite Document.

The Board notes that it is the intention of the Offeror to nominate new director(s) to the Board after the despatch of the Composite Document and with effect from the earliest time permitted under the applicable laws, rules and regulations, the Listing Rules and the Takeovers Code, whichever is the latest. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new director(s) of the Company. Any changes to the members of the Board will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY” in the “Letter from Lego Securities” contained in this Composite Document.

The Board notes that the Offeror intends to maintain the listing status of the Shares on the Main Board after the close of the Offers, and the directors of the Offeror have undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

RECOMMENDATIONS

Your attention is drawn to the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” in this Composite Document, which contain, among others, the advice of the Independent Financial Adviser and the Independent Board Committee in relation to the Offers and the principal factors considered by them in arriving at their recommendations, and in particular, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

ADDITIONAL INFORMATION

Your attention is drawn to additional information set out in the appendices to this Composite Document. You are also recommended to read carefully the “Letter from Lego Securities” in, and Appendix I to this Composite Document as well as and the accompanying Forms of Acceptance.

If you are in doubt about your position in connection with the Offers, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

By order of the Board of
Howkingtech International Holding Limited
Chen Ping
Chairman and executive Director

Howkingtech International Holding Limited

濠曝科技國際控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2440)

7 March 2025

To the Offer Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED
FOR AND ON BEHALF OF HOME OFFICE DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
HOWKINGTECH INTERNATIONAL HOLDING LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
HOME OFFICE DEVELOPMENT LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the composite document dated 7 March 2025 jointly issued by the Company and the Offeror (the “**Composite Document**”), of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee for the purpose of advising the Offer Shareholders in respect of the Share Offer and the Optionholders in respect of the Option Offer, as to whether the Offers are fair and reasonable and as to acceptance of the Offers.

Innovax Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in connection with the Offers, as to whether the Offers are fair and reasonable and as to acceptance of the Offers. Details of its advice and the principal factors considered by it in arriving at its advice and recommendations are set out in the “Letter from the Independent Financial Adviser” in the Composite Document.

We also wish to draw your attention to “Letter from Lego Securities”, “Letter from the Board” and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and the acceptance and settlement procedures for the Offers.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Having considered the terms of the Offers, the information contained in the Composite Document and having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors taken into consideration by it in arriving at its opinion, we consider that the Offers are fair and reasonable so far as the Offer Shareholders and Optionholders are concerned. Therefore, we recommend the Offer Shareholders and Optionholders to accept the Offers.

The Offer Shareholders and the Optionholders who wish to realise part or all their investments in the Company are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market or exercising the Share Options instead of accepting the Share Offer or the Option Offer, respectively, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Share Offer and the Option Offer.

Notwithstanding our recommendations, the Offer Shareholders and the Optionholders are strongly recommended to read the full text of the “Letter from the Independent Financial Adviser” as set out in the Composite Document before making their decisions. Further, the Offer Shareholders and Optionholders are strongly advised that the decision to release or hold their investments is subject to individual circumstances and investment objectives. If in doubt, the Offer Shareholders and the Optionholders should consult their own professional advisers for advice.

Yours faithfully,
Independent Board Committee of
Howkingtech International Holding Limited

Mr. Gu Jiong
*Independent non-executive
Director*

Mr. Yang Hai
*Independent non-executive
Director*

Mr. Fong Wo, Felix
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Innovax Capital Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in the Composite Document.



Innovax Capital Limited
Unit B, 13/F,
Neich Tower,
128 Gloucester Road,
Wan Chai, Hong Kong

7 March 2025

To: Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED
FOR AND ON BEHALF OF HOME OFFICE DEVELOPMENT LIMITED
TO ACQUIRE ALL OF THE ISSUED SHARES OF AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
HOWKINGTECH INTERNATIONAL HOLDING LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
HOME OFFICE DEVELOPMENT LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the Composite Document dated 7 March 2025 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Composite Document unless the context otherwise stated.

On 17 January 2025 (after trading hours), the Selling Shareholders, the corresponding Guarantors (where applicable in respect of the Controlling Shareholder SPA, the Other SPA 1, the Other SPA 3, the Other SPA 4, the Other SPA 7 and the Other SPA 8 only) and the Offeror entered into the respective SPAs, pursuant to which the Selling Shareholders have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 157,755,400 Sale Shares, representing approximately 70.11% of the entire issued share capital of the Company as at the date of the SPAs, for a total consideration of HK\$140,244,550.2 (equivalent to approximately HK\$0.889 per Sale Share). Completion took place on 27 January 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Immediately prior to the Completion, none of the Offeror and the Offeror's Concert Parties owned, controlled or had direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately upon Completion, the Offeror and parties acting in concert with it became interested in a total of 157,755,400 Shares, representing approximately 70.11% of the total issued share capital of the Company immediately upon Completion or approximately 67.42% of the total issued share capital of the Company as at the Latest Practicable Date.

Accordingly, immediately upon the Completion, the Offeror is required to make the mandatory unconditional cash offers (i) to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and (ii) to cancel all the outstanding Share Options pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors (namely, Mr. Gu Jiong, Mr. Yang Hai and Mr. Fong Wo, Felix) who have no direct or indirect interest in the Offers, has been established to make recommendations to the Offer Shareholders and the Optionholders as to whether the Offers (including the Share Offer and the Option Offer) are fair and reasonable and as to the acceptance of the Offers.

We, Innovax Capital Limited, have been appointed as the independent financial adviser to the Independent Board Committee and the Offer Shareholders and the Optionholders in respect of the Offers, and in particular, as to whether the Share Offer and the Option Offer are fair and reasonable and as to acceptance of the Share Offer and the Option Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected with the Group or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of commencement of the Offer Period, there were no other engagements between Innovax Capital Limited and the Group or the Offeror or the parties acting in concert with any of them and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Offers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have reviewed, amongst others, the Joint Announcement, the annual reports of the Company for the years ended 31 December 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024 (the “**2022 Annual Report**”, “**2023 Annual Report**”, the “**2024 Interim Report**”, respectively). We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the business and outlook of the Group.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Offer Shareholders and Optionholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors’ and the Offeror’s representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the sections headed “RESPONSIBILITY STATEMENT” of Appendix III and Appendix IV to the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Offer Shareholders and Optionholders resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Offer Shareholders and the Optionholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealing should consider that their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Innovax Capital Limited to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL TERMS OF THE OFFERS

Lego Securities is, on behalf of the Offeror and in compliance with the Takeovers Code, making the Offers on the following basis:

The Share Offer

For each Offer Share HK\$0.889 in cash

The Share Offer Price of HK\$0.889 per Offer Share is marginally higher than the consideration of approximately HK\$0.889 (after rounding up to 3 decimal places) per Sale Share under each of the SPAs. The Offer Shares to be acquired under the Share Offer shall be fully paid and free and clear of any Encumbrances together with all rights attaching thereto, including the right to receive all and any dividends, distribution and other rights declared, made, distributed or paid on or after the date on which the Share Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, no outstanding dividend declared by the Company remained unpaid, and the Board advised that the Company has no intention to make, declare or pay any future dividend or make other distributions until after the close of the Share Offer.

The Option Offer

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

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making an appropriate cash offer to the Optionholders for the cancellation of the Share Options. The Option Offer Price would normally be the see-through price which represents the amount by which the Share Offer Price per Offer Share exceeds the exercise price of each Share Option. Under the Option Offer, as the exercise price of all outstanding Share Options exceeds the Share Offer Price, the “see-through” price is negative and the Option Offer Price is at the nominal amount of HK\$0.0001 per Share Option.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1 Background information of the Group

1.1 Principal activities

The Company was incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board (stock code: 2440). The Group is principally engaged in the provision of (i) data transmission and processing services for Internet of Thing (IoT) applications in the PRC; and (ii) telecommunication equipment in the PRC.

1.2 Historical Financial information of the Group

Set out below is a summary of the consolidated financial information of the Group for the three financial years ended 31 December 2021, 2022 and 2023 (“FY2021”, “FY2022” and “FY2023”, respectively) and for the six months ended 30 June 2023 and 2024 (“1H2023” and “1H2024”, respectively) as extracted from the 2022 Annual Report, 2023 Annual Report and 2024 Interim Report:

	FY2021	FY2022	FY2023	1H2023	1H2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	189,552	323,964	440,550	176,744	31,050
– Data transmission and processing services	123,298	238,073	380,316	116,613	31,050
– Sales of telecommunication equipment	59,969	82,159	58,205	58,524	–
– Others	6,285	3,732	2,029	1,607	–
Gross profit	78,799	95,550	83,827	27,203	1,325
Profit/(Loss) for the year /period	34,380	28,504	25,493	10,291	(30,742)

FY2022 vs FY2021

The Group recorded revenue of approximately RMB324.0 million for FY2022, representing a significant increase of approximately 70.9% as compared to that of approximately RMB189.6 million for FY2021. Such significant increase was primarily due to a revenue growth of approximately 93.1% from data transmission and processing services, achieved by successfully capitalizing on the potential in the PRC IoT market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The gross profit increased to a lesser extent by 21.3% as compared to revenue growth which was primarily due to repaid growth in material costs as a result of the change in revenue structure of the Group. The gross profit margin decreased by 12.1 percentage points to approximately 29.5% for FY2022 from 41.6% for FY2021.

The Group recorded a profit for the year of approximately RMB28.5 million, representing a decrease of approximately 17.1% as compared to that of approximately RMB34.4 million for FY2021. Such decrease was mainly due to increase in administrative expenses by approximately 69.8% as a result of increase in listing expenses which the Company was successfully listed on the Stock Exchange in December 2022. Without taking into account the listing expenses in FY2021 and FY2022, the adjusted profit for the year for FY2022 increased by approximately 22.2% as compared to that of FY2021.

FY2023 vs FY2022

The Group recorded revenue of approximately RMB440.6 million for FY2023, representing an increase of 36.0% as compared to that of approximately RMB324.0 million for FY2022. Such increase was primarily due to the increase in revenue generated from data transmission and processing services of approximately 59.7% to RMB380.3 million in FY2023 from RMB238.1 million in FY2022. Revenue from sales of telecommunication equipment decreased by approximately 29.2% to approximately RMB58.2 million in FY2023 from approximately RMB82.2 million in FY2022, which mainly because the Group ceased the sales of vehicle mounted antennas to a Russia distributor in December 2022 to avoid uncertain and potential risks in relation to international sanctions.

Despite increase in revenue of the Group, the gross profit for FY2023 decreased by 12.3% as compared to that for FY2022. The gross profit margin decreased by 10.5 percentage points to 19.0% for FY2023 from 29.5% for FY2022. Such decrease in gross profit margin is mainly attributable to (i) intensified market competition and uncertainty in macroeconomic conditions as the Group offered competitive prices to its existing customers to maintain customer relationships; (ii) the cessation of sales of vehicle mounted antennas to a Russia distributor in December 2022, which had a high gross profit margin of approximately 34.0% for FY2022; and (iii) offering a relatively low price to attract new customers, which accounted for approximately 63.6% of the total number of customers for FY2023 in order to broaden the customer base.

The Group's profit for the year further decreased to RMB25.5 million for FY2023 from RMB28.5 million for FY2022, which mainly due to decrease in gross profit as mentioned above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1H2024 vs 1H2023

The Group recorded revenue of approximately RMB31.1 million for 1H2024, representing a decrease of approximately 82.4% as compared to that of RMB176.7 million for 1H2023. Such decrease was mainly due to (i) the Group's clients in the IoT industry having delayed their projects taking into consideration of their concerns in cash flows and uncertainty in macroeconomic condition; and (ii) lack of customer demand for telecommunication equipment.

The Group's gross profit decreased by approximately 95.1% to approximately RMB1.3 million for 1H2024 from approximately RMB27.2 million for 1H2023. The Group's gross profit margin decreased by 11.1 percentage points to approximately 4.3% for 1H2024 from approximately 15.4% for 1H2023. Such decrease in gross profit margin was mainly attributable to (i) intensified market competition and uncertainty in macroeconomic conditions; (ii) a decrease in exports of IoT antennas to the United States, which had a high gross profit margin of approximately 34.9% in the 1H2023; and (iii) offering a relatively low price to new customers, which accounted for approximately 66.7% of the total number of customers in 1H2024.

The Group recorded loss for the period of approximately RMB30.7 million for 1H2024 as compared to profit for the period of approximately 10.3 million for 1H2023. The loss for the period was mainly due to (i) decrease in gross profit as mentioned above; (ii) increase in administrative expenses as a result of increase in research and development expenses and staff costs; and (iii) increase in impairment losses on financial assets as a result of the increase of the trade receivables aged over one years as at 30 June 2024 as compared to that of 31 December 2023. The industries in which the Group operates are subject to rapid technological changes and are evolving quickly in terms of technological innovation. Since the inception, the Group has continuously invested in research and development. Recently, the Group has focused on improving the 5G network services, researching and developing industrial WLAN and upgrading the Group's self-developed centralized data platform to enhance functionality and add new features to services and products to its customers.

According to the Profit Warning Announcements, the Group is expected to record a net loss for the year ended 31 December 2024 ("FY2024") of approximately RMB68.0 million to approximately RMB83.0 million as compared to a net profit of approximately RMB25.5 million for the year ended 31 December 2023. Such decrease was mainly due to (i) a decrease of revenue by approximately 75.0% to approximately 85.0% as a result of (a) a decrease in revenue from data transmission and processing services because the Group's clients in the IoT industry have delayed their projects taking into consideration of their concerns in cashflows and uncertainty in macroeconomic condition; and (b) a decrease in revenue from sales of telecommunication equipment due to the lack of customer demand in 2024; (ii) a decrease in gross profit margin as a result of the intensified market competition; and (iii) an increase in impairment losses on trade receivables due to slower collection.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial Position

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024 as extracted from the 2022 Annual Report, 2023 Annual Report and 2024 Interim Report:

	As at 31 December			As at
	2021	2022	2023	30 June 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	13,352	13,034	28,147	24,860
Current assets	339,345	345,652	322,622	287,710
Current liabilities	197,880	102,388	81,465	70,274
Non-current liabilities	1,783	214	927	466
Net current assets	141,465	243,264	241,157	217,436
Net assets	153,034	256,084	268,377	241,830
Equity attributable to				
owners of the Company	153,034	256,084	268,377	241,830
Gearing ratio (%) (<i>Note 1</i>)	4.1	4.7	2.6	2.6
Current ratio (times)				
(<i>Note 2</i>)	1.7	3.4	4.0	4.1

Notes:

1. Gearing ratio was calculated by total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity.
2. Current ratio was calculated by current assets divided by current liabilities.

As shown in the table above, the net current assets of the Group increased from approximately RMB141.5 million as at 31 December 2021 to approximately RMB243.3 million as at 31 December 2022. Such increase was primarily due to (i) increase in trade and notes receivables from approximately RMB140.8 million to approximately RMB214.0 million; and (ii) decrease in other payables and accruals from approximately RMB161.8 million to approximately RMB29.8 million, as at 31 December 2021 and 2022, respectively. The net current assets of Group recorded a decreasing trend since 2022. The Group's net current assets decreased from approximately RMB243.3 million as at 31 December 2022 to approximately RMB241.2 million as at 31 December 2023, mainly as a result of (i) decrease in cash and cash equivalent from approximately RMB47.3 million to RMB27.5 million; (ii) decrease in time deposits from approximately RMB73.4 million to approximately RMB5.7 million; and partially offset by (iii) increase in trade and note receivables from approximately RMB214.0 million to approximately RMB279.8 million; (iv) decrease in other payables and accruals from approximately RMB29.8 million to approximately RMB9.9 million; and (v) decrease in interest-bearing bank

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from approximately RMB10.4 million to approximately RMB5.0 million, as at 31 December 2022 and 2023, respectively. The Group's net current assets further to decrease approximately RMB217.4 million as at 30 June 2024, which primarily due to (i) decrease in cash and cash equivalents of approximately from RMB27.5 million to RMB14.1 million; (ii) decrease in trade and note receivables from approximately RMB279.8 million to RMB263.4 million; and (iii) decrease in time deposits from approximately RMB5.7 million to nil, as at 31 December 2023 and 30 June 2024, respectively.

The net assets of the Group increased significantly from approximately RMB153.0 million as at 31 December 2021 to approximately RMB256.1 million as at 31 December 2022, primarily due to successfully listing on the Stock Exchange in December 2022. The net assets of the Group decreased from approximately RMB268.4 million as at 31 December 2023 to RMB241.8 million as at 30 June 2024, which primarily due to the net loss recorded for 1H2024.

The gearing ratio of the Group remained relatively low. The significantly decrease in gearing ratio from approximately 4.7% as at 31 December 2022 to approximately 2.6% as at 31 December 2023, primarily due to decrease in total debt.

The current ratio of the Group increased from 1.7 times as at 31 December 2021 to 3.4 times as at 31 December 2022, which primarily due to (i) increase in time deposits; (ii) increase in trade and note receivables and (iii) decrease in other payables and accruals. The current ratio of the Group further increased to 4.0 time as at 31 December 2023, which primarily due to (i) decrease in other payables and accruals and (ii) repayment of interest-bearing bank borrowings.

1.3 *Historical dividend payout*

During the three years ended 31 December 2023 and the six months ended 30 June 2024, no dividend had been declared.

1.4 *Business prospect of the Group*

With reference to the 2023 Annual Report and the 2024 Interim Report, the majority of the Group's revenue is derived from the provision of data transmission and processing services for IoT applications, which accounted for approximately 86.3% and 100.0% of its total revenue for FY2023 and 1H2024, respectively.

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According to an article entitled “Forecast for 2024: Market Size, Competitive Landscape, and Development Outlook of China’s IoT Industry” (<https://bg.qianzhan.com/trends/detail/506/231128-8f903ca8.html>) by QianZhan Industrial Research Institute, a leading PRC-based industry research and market consultancy institute established in 1998, the IoT industry in China is poised for rapid growth. The market size is projected to surpass RMB7.5 trillion by 2028 with a CAGR exceeding 15% from 2023 to 2028, driven by China’s emphasis on improving economic quality and living standards through the adoption of new technologies like IoT. This advancement is expected to improve industrial efficiency, smart public services and home automation.

The Chinese government has played a pivotal role in fostering IoT development through key policies such as the Made in China 2025 initiative, which was implemented by the State Council of the People’s Republic of China in May 2015, and the 14th Five-Year Plan (2021-2025), which was officially adopted by the National People’s Congress in March 2021. Made in China 2025 emphasizes the integration of IoT, artificial intelligence, and big data into smart manufacturing, driving the adoption of Industrial IoT across sectors such as automotive, electronics, and machinery. It has driven the establishment of smart factories, where IoT-enabled systems optimize production and reduce costs, while also encouraging domestic research and development investments in IoT components like sensors and chips to enhance technological self-reliance. Meanwhile, the 14th Five-Year Plan has reinforced IoT’s importance by prioritizing 5G deployment, which provides the connectivity backbone for IoT applications. The plan also supports the development of smart cities, where IoT technologies enhance urban management, transportation, and energy efficiency, contributing to sustainable urban development.

These policies have fostered a thriving IoT ecosystem, enabling China to become a global leader in IoT innovation and adoption. Government funding, standardization efforts, and public-private partnerships have accelerated digital transformation across industries such as healthcare, agriculture, and logistics. Additionally, IoT applications in environmental monitoring and smart transportation align with China’s sustainability goals. In particular, the rise of smart factories and digitalized supply chains has spurred investment in private 5G networks, enabling real-time data transmission, enhanced automation, and improved operational resilience. According to the China Academy of Information and Communications Technology, which is a leading research institute under the Ministry of Industry and Information Technology, China’s private 5G network market is expected to reach RMB80.2 billion by 2027, growing at a remarkable CAGR of 42% in the next five years, reflecting increasing demand for high-speed, low-latency connectivity in industrial applications.

Despite its promising outlook, the IoT industry faces several challenges. Market fragmentation and intense competition remain significant concerns. According to an article entitled “2024 IoT Industry Chain Analysis and Competitive Landscape Research Report” (<https://baijiahao.baidu.com/s?id=1792647298890362713&wfr=spider&for=pc>) published by chyxx.com (智研諮詢), a Chinese website that provides market research, industry analysis, and data reports across a wide range of sectors in China since 2008, the IoT industry in the PRC spans a wide range of fields, attracting a large number of participants despite its rapid growth. While companies specialize in different areas, competition within the same sector remains intense due to product similarities. As noted in the industry overview of the Group’s prospectus, Frost & Sullivan, an independent market research consultant commissioned by the Group in connection with the global offering in November 2022, there were over 30,000 players operating across various IoT ecosystem layers, from perception to application services in 2021. Technological innovation, service integration, and industry expertise are key to maintaining a competitive edge. Data security and privacy risks are also escalating, requiring companies to invest in secure data transmission, encryption, and regulatory compliance. Moreover, interoperability and standardization issues continue to hinder seamless device connectivity and integration across diverse platforms. To address this, companies are increasingly adopting cloud-based solutions and standardized protocols.

Macroeconomic conditions further complicate the landscape. According to an article entitled “National Economy Witnessed Steady Progress amidst Stability with Major Development Targets Achieved Successfully in 2024” (https://www.stats.gov.cn/english/PressRelease/202501/t20250117_1958330.html) released by the National Bureau of Statistics of China, while the national economy remained stable in 2024, external challenges are mounting. Domestic demand remains weak, businesses face operational difficulties, and the economy is still facing difficulties and challenges. Reduced consumer and business spending could dampen IoT investment, particularly among small and medium-sized enterprises (SMEs). Additionally, global supply chain disruptions and escalating trade tensions may increase costs for IoT hardware components, such as semiconductors, thereby impacting profitability. As of February 2025, trade tensions between the United States and China have intensified. The U.S. recently imposed a 10% tariff on all Chinese imports, prompting China to retaliate with tariffs on U.S. goods, including a 15% duty on coal and liquefied natural gas and a 10% duty on oil and agricultural machinery, effective 10 February 2025. Export restrictions may force more businesses to shift their focus inward, the IoT industry may experience more intense competition and increased pricing pressure in the domestic market. Given the current economic climate, businesses in China are already facing challenges, including weak demand and operational difficulties, this could further influence investment in IoT solutions.

Our view

As detailed in the section “1.2 Historical Financial Information of the Group”, the Group’s financial performance has significantly deteriorated in FY2024, primarily due to weak customer demand and delays in spending. The Group’s 2024 Interim Report also highlights a high customer concentration, with its five largest customers contributing approximately 97.2% of total revenue in the first half of 2024. Any reduction in spending by these key customers could materially impact revenue, particularly in a cautious economic environment.

Although the proportion of new customers increased from 63.6% in FY2023 to 66.7% in the first half of 2024, customer acquisition remains slow and challenging amid economic uncertainty. To attract new clients, the Group may need to offer competitive pricing, free trials, or flexible terms, which could further pressure margins.

Considering (i) the Group’s deteriorating financial performance in FY2024, (ii) its high customer concentration, (iii) the cautious spending environment despite economic recovery, and (iv) trade tensions and the imposition of tariffs, we believe the Group’s outlook remains uncertain in the near future despite government support.

2 Information on the Purchasers

2.1 Background information of the Offeror

As stated in the Letter from Lego Securities, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability, and is directly wholly owned by Mr. Chan Chin Ching. The directors of the Offeror are Mr. Chan Chin Ching and Mr. Chan Chin Chun, who are brothers of each other. Mr. Chan Chin Ching (Ray), aged 41, is a technology entrepreneur and investor born and raised in Hong Kong. He is the CEO and co-founder of Memeland, a Web3 venture studio building and investing in content, community, and culture. He is also the CEO and co-founder of 9GAG, currently one of the world’s top three social media platforms in the humor category based on traffic share, according to similarweb.com, which is a publicly traded company on the NYSE (ticker: SMWB) since 2021, is a leading provider of digital intelligence and web analytics, widely trusted by global businesses including Fortune 500 companies for market insights.

Ray’s entrepreneurial journey began in 2008 when he and his co-founders launched 9GAG. Today, the platform has a global audience of 200 million across various social media channels, including Instagram (56 million), Facebook (40 million), X (16 million), Threads (6.5 million), Pinterest (3.9 million), TikTok (2.8 million), and WhatsApp (1.8 million). 9GAG, with a global user base and influence on internet culture, serves as an example of a technology company from Hong Kong achieving global reach. Driven by his vision and passion for blockchain technology, Ray founded Memeland in

2022. Despite turbulent market conditions, Ray has quickly led Memeland to become a leader in Web3, creating Asia's No. 1 digital collectible brand, according to nftnow.com, by adopting a new paradigm of building blockchain-enabled social products that embrace internet culture and real-world utilities. Memeland has attracted major brand partnerships and, in turn, enhanced community engagement and fueled business growth. Ray's X account (account name 9GAGCEO) has 1.9 million followers. He has been selected as one of the 50 most influential people in crypto by CoinDesk in 2024. He has also been named NFT Now's NFT-100 in 2023, Prestige's 40 Under 40 in 2021, and Tatler's Gen.T Leaders of Tomorrow in 2018, among other accolades. He frequently shares his insights and experiences at universities and global conferences. Ray has been featured in top international media outlets, including CNN, CNBC, Forbes, and The Wall Street Journal. The City University of Hong Kong Press has recently published a book titled "Innovative Attitude: 6+ Trailblazing Startup Founders", which chronicles Ray's startup journey. Ray currently serves as an honorary advisor to the World Vision Hong Kong, a board member of the Hong Kong Genome Institute, and a member of the HKSAR Government's Steering Committee on Prevention and Control of Non-Communicable Diseases. Ray graduated from The University of Hong Kong with a Bachelor of Laws degree.

2.2 Intentions of the Offeror in relation to the Group

As stated in the Letter from Lego Securities, it is the intention of the Offeror to continue with the Group's existing principal business activities. In particular, the Offeror intends to expand the existing businesses of the Group through, among others, exploring business opportunities related to artificial intelligence, digital assets and Web3. The convergence of IoT (existing business) and nextgen technologies (i.e. artificial intelligence, digital assets, and Web3) would create Decentralized Physical Infrastructure Networks ("DePIN(s)") that could potentially unlock new economies and tap into new markets geographically, i.e. outside of the PRC. DePINs enhance the interconnectivity of physical infrastructures, such as IoT devices, internet networks and cloud computing, and can be used to automate processes, manage data and ensure secure peer-to-peer interactions. It is intended that the Offeror's expansion plan shall be achieved through seizing business opportunities including but not limited to the enablement of peer-to-peer applications that run on blockchain networks such as Ethereum, the integration of artificial intelligence and machine learning, and the expansion of decentralised networks. An imminent use case of DePIN is smart cities that are adopting a Web3 strategy. The Offeror is optimistic about the convergence of IoT and Web3, which paves the way for innovative real world use cases across various industries, enhancing security, efficiency, user control and scalability. As the Company has been engaged in the businesses of provision of data transmission and processing services for IoT applications for years, the Offeror is of the view that the Company has established an extensive network and reputation in the IoT industry, and that the Offeror will be able to grow the Company's business under its direction upon becoming the controlling Shareholder through the acquisition of the Sale Shares. In

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addition, independent due diligence has been conducted prior to the acquisition of the Sale Shares, where no material issues were revealed by both financial and legal due diligence of the Company, and the Offeror has reasonably satisfied with the results.

Following the close of the Offers, the Offeror will conduct a review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. In view of the aforesaid, the Offeror is of the view that the Offers are in its long-term commercial interest.

Save for the Offeror's intention as set out above, as at the Latest Practicable Date, the Offeror had no intention (i) to make any significant changes to the employment of any key employees of the Group (except for the proposed changes, if any, to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate, as further disclosed in the paragraph headed "Proposed change to the Board composition of the Company" stated in the Letter from Lego Securities); (ii) to introduce any major changes to the existing operations and business of the Group; and (iii) to downsize, cease, or dispose of any of the existing businesses, operations and assets of the Group (including but not limited to the Group's fixed assets which are not in the ordinary and usual course of business of the Group) as a result of completion of the Offers. However, the Offeror reserved the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group. As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group, nor any business opportunities in relation to the injection of any assets or business into the Group were under consideration or negotiation.

Our view

While Mr. Ray Chan has a strong background in digital media, Web3, and community engagement, his experience does not directly align with the Group's core business in the provision of data transmission and processing for IoT applications and telecommunication equipment. His past success in scaling 9GAG and pioneering blockchain initiatives demonstrates entrepreneurial vision, but without a concrete business plan for the Group, it remains uncertain how his expertise would translate into driving the Group's growth or addressing its current challenges. While his presence may bring fresh perspectives and potential strategic opportunities, there is no clear evidence that he possesses the industry-specific knowledge or leadership

experience necessary to execute a turnaround for the Group. Therefore, we are of the view that the extent of his contribution to the Group's long-term success remains to be seen.

3 The Share Offer Price

3.1 *The Share Offer Price comparison*

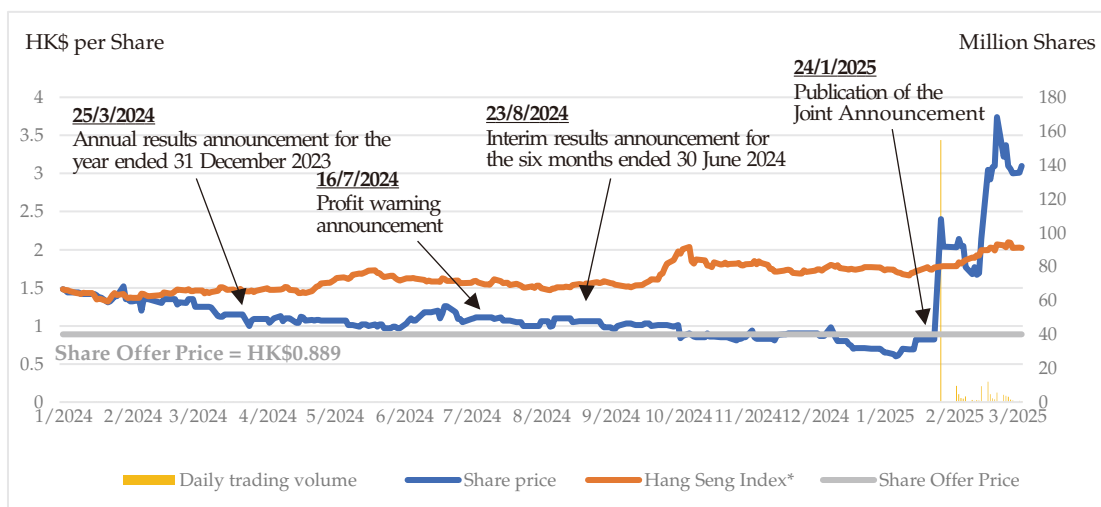
The Share Offer Price of HK\$0.889 per Offer Share represents:

- (i) a discount of approximately 71.32% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.41% over the closing price of HK\$0.820 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 19.81% over the average closing price of HK\$0.742 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 28.84% over the average closing price of HK\$0.690 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 19.17% over the average closing price of approximately HK\$0.746 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 27.01% to the audited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$1.218 per Share as at 31 December 2023, calculated by dividing the audited consolidated net asset value of the Company attributable to the Shareholders of approximately RMB268,377,000 (equivalent to approximately HK\$285,043,212) as at 31 December 2023 by 233,974,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 19.03% to the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$1.098 per Share as at 30 June 2024, calculated by dividing the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately RMB241,830,000 (equivalent to approximately HK\$256,847,643) as at 30 June 2024 by 233,974,000 Shares in issue as at the date of the Latest Practicable Date.

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3.2 Historical price performance of the Shares

The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the period from 1 January 2024 and up to and including the Latest Practicable Date (the “Review Period”), which covers an approximate one-year period prior to the Last Trading Day and the period up to the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares. We consider that the duration of the Review Period of approximately one year period prior to the Last Trading Day would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares:



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

Notes:

1. Trading in the Shares was halted from 20 January 2025 to 24 January 2025
2. Hang Seng Index is rebased to the closing price of the Shares as at 2 January 2024

As shown in the graph above, the closing prices of the Shares during the Review Period have fluctuated, ranging from the lowest closing price of approximately HK\$0.60 per Share recorded in January 2025 to the highest closing price of approximately HK\$3.74 per Share in February 2025. The average closing price during the Review Period was approximately HK\$1.17 per Share.

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During the Review Period, the closing prices of the Shares were largely in a prolonged and sustained downward trend, continuing for an extended period from the start of the Review Period in January 2024 and reaching their lowest point in January 2025 at approximately HK\$0.60 and as confirmed by the Directors, the Directors were not aware of any happening which might have caused the prolonged downtrend in the closing prices of the Group. Notably, the closing price largely remained below HK\$1.0 since October 2024, which, based on discussions with Management, they were not aware of any matters which caused the closing price to dip below HK\$1.0.

Following the Joint Announcement on the Offers, we observed a sharp increase in trading, with the closing price of the Shares surging from HK\$0.82 on 17 January 2025 to HK\$2.40 on 27 January 2025. The closing prices remain above the Share Offer Price of HK\$0.889 as of the Latest Practicable Date. We attribute this price spike to market reactions and anticipation of favorable effects from the change in the controlling Shareholder. However, there is no guarantee that the closing price will remain above the Share Offer Price after the Latest Practicable Date or upon the close of the Share Offer. Aside from this brief spike, the overall performance of the closing prices was predominantly downward, even during periods when the Hang Seng Index was trending upwards.

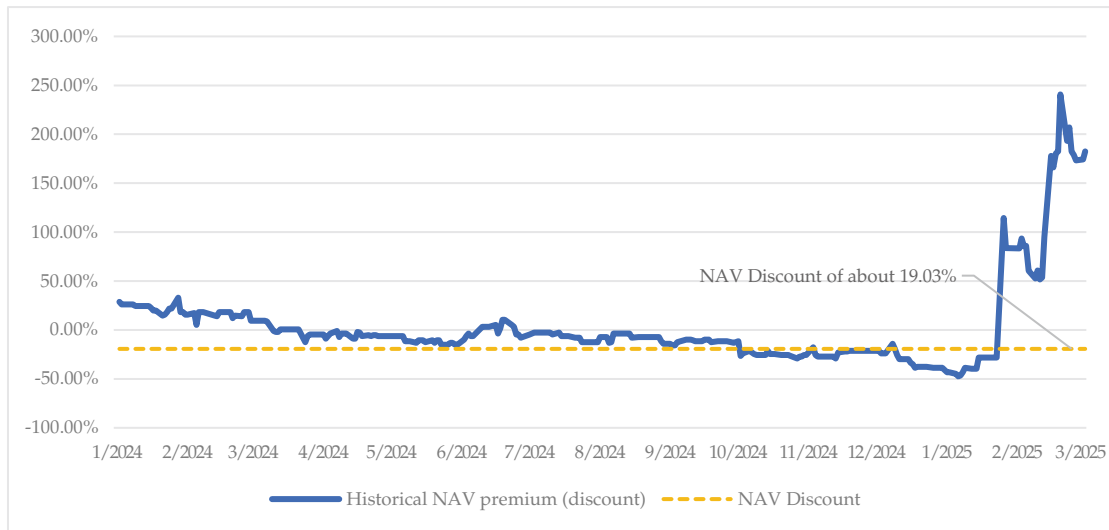
As set out in the section headed “3.1 The Share Offer Price Comparison,” we also noted that the Share Offer Price represents (i) a 71.32% discount to the closing price on the Latest Practicable Date, (ii) a 27.01% discount to the audited consolidated net assets value of the Company attributable to Shareholders as of 31 December 2023, and (iii) a 19.03% discount to the unaudited consolidated net assets value of the Company attributable to Shareholders as of 30 June 2024. Nevertheless, in evaluating the fairness and reasonableness of the Share Offer Price and our recommendation to Offer Shareholders regarding the acceptance of the Share Offer, we believe it is important to consider several factors, including (i) the prolonged downward trend in the Share price since May 2023, (ii) the fact that the Share Offer Price represents a premium over the closing price on the Last Trading Day and the average closing prices for the five, 10, and 30 consecutive trading days immediately prior to and including the Last Trading Day, and (iii) the limited liquidity of the Shares prior to the Joint Announcement, which creates uncertainty regarding the sustainability of the recently elevated share price levels and trading volumes.

Offer Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date.

Offer Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading price of Shares during the Offer Period.

3.3 *Historical trading price against net asset value per Share*

As aforementioned, the Share Offer Price represented a discount of approximately 19.03% (i.e. the “NAV Discount”) to the unaudited consolidated net asset values attributable to the owner of the Company per Share as at 30 June 2024 (the “NAV”). Accordingly, we also reviewed the discounts of the closing prices of Shares to the latest prevailing NAV (the “Historical NAV Discounts”) during the Review Period as set out in the chart below:



As shown in the graph above, the closing prices of the Shares were at discounts to the NAV during the majority of Review Period and the Historical NAV Discounts ranged from a discount of approximately 1.01% to approximately 47.44% during the Review Period. Specifically, among the total 287 trading days during the Review Period, 199 trading days were trading at discounts to the NAV, representing approximately 69.34% of the total trading days in the Review Period. Given that the historical closing prices in the Review Period have largely been traded at discounts to the NAV during the Review Period, we consider the NAV Discount to be acceptable.

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3.4 *Historical trading liquidity of the Shares*

Apart from the analysis on the closing price of the Shares above, we have also conducted a review on the trading liquidity of the Shares. The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the public Shareholders:

Month	Total trading volume of the Shares	Number of trading days in the month	Average daily trading volume of the Shares	Percentage of average daily trading volume to total Shares (Note 1) Approximate %	Percentage of average daily trading volume to total number of Shares held by public Shareholders (Note 2) Approximate %
2024					
January	421,000	22	19,136	0.0085%	0.0184%
February	777,000	19	40,895	0.0182%	0.0394%
March	1,206,000	20	60,300	0.0268%	0.0581%
April	622,000	20	31,100	0.0138%	0.0299%
May	293,000	21	13,952	0.0062%	0.0134%
June	499,000	19	26,263	0.0117%	0.0253%
July	136,000	22	6,182	0.0027%	0.0060%
August	60,000	22	2,727	0.0012%	0.0026%
September	67,000	19	3,526	0.0016%	0.0034%
October	690,000	21	32,857	0.0146%	0.0316%
November	517,000	21	24,619	0.0109%	0.0237%
December	937,000	20	46,850	0.0208%	0.0451%
2025					
January	168,690,532	19	8,878,449	3.8391%	12.0786%
February	75,008,000	20	3,750,400	1.6029%	4.9206%
March	1,083,000	2	541,500	0.2314%	0.7105%

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

Notes:

- The percentage of average daily trading volume to total Shares is calculated based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
- The total number of Shares held by the public Shareholders is calculated based on the number of total Shares excluding those held by the Offeror and parties acting in concert with it and the Controlling Selling Shareholder and parties acting in concert with it as at the end of each month/period or as at the Latest Practicable Date, as applicable.

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As depicted in the table above, during the Review Period, the average daily trading volume represented approximately (i) 0.0012% to 3.8391% of the total issued share capital; and (ii) 0.0026% to 12.0786% of the total number of Shares in issue held by public Shareholders at the end of the respective month. We note that the trading volume was significantly higher in January 2025 and February 2025, coinciding with the recent developments regarding the Offers, which likely stimulated investor interest and trading activities. This surge in trading liquidity on 27 January 2025 reflects market reaction and anticipation following the Joint Announcement. However, after this initial increase, trading activity has gradually declined by February 2025, although it remains relatively high compared to historical levels. There is no assurance that liquidity will continue to remain at a level equal to or above that observed after the Latest Practicable Date. In contrast, for most months in the Review Period, the average daily trading volume remained below 0.3% of the total issued share capital and below 0.80% of the total number of Shares held by public Shareholders, indicating generally low liquidity.

Before the surge in trading activity in January 2025 and February 2025, trading in the Shares had been particularly thin, with an average daily trading volume of below 0.1% of the total issued share capital in most months of 2024. Notably, in August 2024 and September 2024, the average daily trading volume fell to as low as 2,727 Shares and 3,526 Shares, representing only 0.0012% and 0.0016% of the total issued share capital, respectively, and 0.0026% and 0.0034% of the total number of Shares held by public Shareholders, respectively. Given this persistently thin liquidity, it is uncertain whether Offer Shareholders who wish to exit their investment in the open market would be able to do so without depressing the market price of the Shares.

Although the trading volume spiked in early 2025 following the publication of the Joint Announcement regarding the Offers, it remains uncertain whether such liquidity will be sustained in the foreseeable future. It is noted that there is a general decreasing trend in trading volume from 154,828,570 Shares on 27 January 2025 after the publication of Joint Announcement to 466,000 Shares as of the Latest Practicable Date. As such, for Offer Shareholders, particularly those holding sizeable shareholdings, the Share Offer presents a readily available exit opportunity to realize part or all of their investment in the Shares and redeploy the cash received from accepting the Share Offer into other investment opportunities, if they so choose.

However, Offer Shareholders who wish to realize their investment in the Shares may consider disposing of their Shares in the open market or to potential purchasers at a price higher than the Share Offer Price. In such cases, they may decide not to accept the Share Offer but instead sell their Shares in the market or to these purchasers, depending on their individual circumstances and if the net proceeds from the sales exceed the net amount receivable under the Share Offer.

Offer Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully assess the risks and uncertainties based on their individual risk preferences and tolerance. Those opting to retain part or all of their investment should also monitor the Group's financial performance and the Offeror's future intentions regarding the Company, as well as the potential challenges they may face in disposing of their Shares at the Share Offer Price after the close of the Share Offer.

3.5 *Market comparable analysis*

In assessing the fairness and reasonableness of the Share Offer Price, we have considered the price-to-earnings ratio (the "**P/E Ratio**"), the price-to-book ratio (the "**P/B Ratio**") and the price-to-sale ratio (the "**P/S Ratio**"), which are the most commonly adopted valuation benchmarks in comparing the valuation of a company's shares. However, given that the Company is principally engaged in provision of data transmission and processing services for IoT applications, which is not an asset-based business, P/B Ratio analysis may not yield any conclusive meaning and the comparison on P/B Ratio was not adopted.

To conduct a valuation benchmarking analysis, based on our search on the website of the Stock Exchange and on a best effort basis, we identified comparable companies based on the following criteria: (i) companies engaged in IT infrastructure solutions (including data transmission and processing services for IoT applications and telecommunication equipment) operating primarily in the PRC; (ii) companies with shares that were actively trading (i.e. not suspended) as at the Latest Practicable Date; (iii) companies with a market capitalisation lower than HK\$1 billion; and (iv) companies that did not report net loss and/or net liabilities in their latest annual reports (the "**Market Comparables**").

To ensure meaningful comparison, we focused on companies with positive net asset positions, as companies with net liabilities may face going concern issues, which could distort valuation multiples. Additionally, the Group has consistently strengthened its net asset position in FY2021, FY2022, and FY2023, with auditors issuing unqualified opinions for these years, reinforcing its financial stability. Based on our screening criteria, we identified an exhaustive list of three Market Comparables.

While the Market Comparables do not have identical operations to the Group, they are engaged in broader segments, including enterprise IT solutions, cloud computing, and data processing services that facilitate communication between hardware and software systems. These companies may provide a wider range of IT infrastructure, integration services, and data management solutions that support various industries, including IoT-related applications. Given the limited number of listed companies focused solely on IoT data transmission and processing, we selected Market Comparables with overlapping business models and technological capabilities, making them a reasonable benchmark for valuation purposes.

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The following table set out the details of the Market Comparables and that of the Company based on the Share Offer Price:

Company name (Stock code)	Principal business(es)	Market capitalization (Note 1) <i>HK\$ million</i>	P/S Ratio (Note 2)	P/E Ratio (Note 3)
SIM Technology Group Limited (2000.HK)	Provision of handsets and Internet of Things (IOT) terminals in the PRC and globally.	814.47	1.50	2.36
Hengxin Technology Ltd. (1085.HK)	Provision of telecommunications and technological products, digital technology and digital security services, and telecommunications services in the PRC.	628.56	0.26	7.03
Maiyue Technology Limited (2501.HK)	Provision of integrated information technology (IT) solutions and services in the education and government markets in the PRC.	440.00	1.60	14.47
		Average	1.12	7.95
		Median	1.50	7.03
		Maximum	1.60	15.30
		Minimum	0.26	2.36
The Company		208.00	0.44 (Note 4)	7.68 (Note 5)

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

Notes:

1. Being the market capitalisations of the respective Market Comparables as at the Latest Practicable Date as extracted from the Stock Exchange.
2. The P/S Ratio of the Market Comparables are calculated by dividing the respective market capitalisation as at the Latest Practicable Date by their revenue as extracted from the respective latest annual report.
3. The P/E Ratio of the Market Comparables are extracted from the Stock Exchange.
4. Calculated based on (i) the Share Offer Price of HK\$0.889 per Offer Share; (ii) 233,974,000 Shares in issue as at the Latest Practicable Date; and (iii) the revenue of the Group in FY2023.
5. Calculated based on (i) the Share Offer Price of HK\$0.889 per Offer Share; (ii) 233,974,000 Shares in issue as at the Latest Practicable Date; and (iii) net income of the Group in FY2023.

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As depicted from the above table, the P/S Ratio of the Market Comparables ranged from approximately 0.26 times to approximately 1.60 times, with a median and average of approximately 1.50 times and 1.12 times. Despite so, the implied P/S Ratio of the Company (based on the Share Offer Price) of approximately 0.44 times is below the median and average of the P/S Ratio of the Market Comparables and is within the range of the Market Comparables.

In respect of the P/E Ratio, the P/E Ratio of the Market Comparables ranged from approximately 2.36 times to approximately 14.47 times, with a median and average of approximately 7.03 times and 7.95 times. Despite so, the implied P/E Ratio of the Company (based on the Share Offer Price) of approximately 7.68 times is above the median and close to the average of the P/E Ratio of the Market Comparables and is within the range of the Market Comparables.

Despite the variations in valuation multiples among the Market Comparables, we believe they provide relevant insights into industry valuation trends and market perceptions of similar businesses. The fact that the implied P/S and P/E Ratios of the Company fall within the observed range suggests that the Share Offer Price is in line with market expectations. Given that the Market Comparables operate within the broader IT infrastructure industry rather than being identical to the Group's business, we consider that the P/S Ratio and P/E Ratio of the Market Comparables should serve as references rather than definitive valuation indicators.

4 The Option Offer

With reference to the section headed "2. Share Capital" in Appendix IV to the Composite Document, as at the Latest Practicable Date, save for the 13,376,000 outstanding Share Options granted pursuant to the Share Option Scheme, pursuant to the Share Option Scheme conferring rights to subscribe for 13,376,000 new Shares, the Company had no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares. The Company had no intention to grant any new share awards under the Share Award Scheme during the Offer Period.

Given that the exercise price of the outstanding Share Options (being HK\$1.56 per Share Option) is higher than the Share Offer Price, the "see-through" price is negative and the outstanding Share Options are deeply out of the money. We consider that the Option Offer Price of a nominal value of HK\$0.0001 for the cancellation of each Option is fair and reasonable as far as the Optionholders are concerned.

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RECOMMENDATION

Taking into consideration of the aforementioned principal factors and reasons, in particular, the following:

- (i) the significant deterioration in the financial performance of the Group for the 1H2024, which marked a shift from profit-making in 1H2023 to a loss-making position in 1H2024 despite the significant growth of the IoT industry in the PRC. Based on the Group's Profit Warning Announcements, this downturn has persisted into the second half of 2024, indicating that its financial performance has not improved even as the industry continues to expand. While the Group was profitable from FY2021 to FY2023 and only turned loss-making in 2024, there remains uncertainty as to whether the Management will be able to restore profitability in the future;
- (ii) as at the Latest Practicable Date, (i) no investment or business opportunities have been identified; and (ii) the Offeror is in the course of identifying candidates for the Board and has not reached any final decision as to who will be nominated and the final composition of the Board, we are of the opinion that there remains uncertainty in the future performance of the Group;
- (iii) the closing prices of the Shares largely trended downward during the Review Period, only increasing significantly after the publication of the Joint Announcement and remaining above the Share Offer Price as of the Latest Practicable Date. Therefore, there is no guarantee that the Share price will remain above the Share Offer Price after the Latest Practicable Date or following the close of the Offer Period;
- (iv) the historical closing prices in the Review Period have largely been traded at discounts to the NAV during the Review Period;
- (v) the trading volume of the Shares was exceptionally thin during most of the Review Period, with a notable increase only after the publication of the Joint Announcement. However, it is uncertain whether such active trading volume will be sustained. There is also a general decreasing trend in trading volume from 154,828,570 Shares on 27 January 2025 to 466,000 Shares as of the Latest Practicable Date. Consequently, it remains uncertain whether there will be sufficient liquidity in the Shares in the foreseeable future for Offer Shareholders to dispose of their Shares in the open market without negatively impacting the market price. We therefore consider that the Share Offer provides Offer Shareholders, particularly those with sizeable shareholdings, with a readily available exit opportunity to realise part or all of their investment in the Shares and redeploy the cash received from accepting the Share Offer into other investment opportunities, if so they choose; and

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- (vi) the exercise prices of the outstanding Share Options are all greater than the Share Offer Price, the “see-through” price for the outstanding Share Options is therefore nil and the Share Options are out-of-money, the Option Offer Price at a nominal value of HK\$0.0001 is considered to be fair and reasonable so far as the Optionholders are concerned,

we are of the view that the Offers (including the Share Offer Price and the Option Offer Price) are fair and reasonable so far as the Offer Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to (1) advise the Offer Shareholders to accept the Share Offer; and (2) advise the Optionholders to accept the Option Offer.

Notwithstanding the above, we note that the Shares have traded above the Share Offer Price after the Joint Announcement was published, closing at HK\$3.10 as at the Latest Practicable Date. In this connection, we would like to remind the Offer Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider disposing of their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sale of Shares would be higher than the receivable under the Share Offer, and only to accept the Share Offer if the Offer Shareholders (especially those with relatively sizeable shareholdings) encounter difficulties to dispose of their Shares in the open market due to the liquidity issue at the Share Offer Price or a price higher than the Share Offer Price. In any event, the Offer Shareholders should note that there is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Share Offer Price during and after the period for the acceptance of the Share Offer.

As for the Optionholders, as the exercise price of the outstanding Share Options (HK\$1.56) is above the Share Offer Price (HK\$0.889), the Share Options are out of the money with reference to the Share Offer Price. However, we note that the Shares have traded above the exercise price of HK\$1.56 of the outstanding Share Options after the Joint Announcement was published, closing at HK\$3.10 as at the Latest Practicable Date. In this connection, we recommend the Optionholders to closely monitor market price movement and consider to exercise their Share Options and sell those Shares in the open market, instead of accepting the Option Offer, if the sale proceeds (after deducting transaction costs and exercise price) exceed the amount receivable under the Option Offer. However, if the market price of Shares falls below the exercise price toward the end of the Offer Period, they may consider tendering all or part of their holdings for cancellation under the Option Offer, should they wish to realize their investment. The Optionholders should note that the Share Options will expire after the Offer Period, if no action (exercising the Share Options or accepting the Option Offer) is taken, their Share Options will lapse automatically.

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As different Offer Shareholders and Optionholders would have different investment criteria, objectives and/or circumstances, we would recommend any Offer Shareholders and Optionholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Alvin Kam **Erica Ling**
Managing Director *Director*

Notes: Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has around 22 years of experience in investment banking and corporate finance.

Ms. Erica Ling is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has around 14 years of experience in investment banking and corporate finance.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited, at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked "Howkingtech International Holding Limited — Share Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/ registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/ registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given should be provided to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Lego Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued

and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/ they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Share Offer Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g., a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (h) Seller's ad valorem stamp duty (rounded up to the nearest HK\$1) payable by the Shareholders who accept the Share Offer and calculated at a rate of 0.10% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (i) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

2. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OPTION OFFER

- (a) To accept the Option Offer, you should complete and sign the accompanying **PINK** Form of the Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) The duly completed and signed **PINK** Form of the Option Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Share Options (and/or satisfactory indemnity or indemnities required in respect thereof) (if applicable) you intend to tender, stating the number of Share Options in respect of which you intend to accept the Option Offer, by post or by hand, in an envelope marked "Howkingtech International Holding Limited — Option Offer" to the Company at 8/F, Building B4, 9 Mozhoudong Road, Jiangning Economic and Technological Development Zone, Nanjing, Jiangsu Province, PRC as soon as possible and in any event so as to reach the Company by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.
- (c) If the certificate(s) in respect of your Share Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of the Option Offer Acceptance should nevertheless be completed, signed and delivered to the Company together with a letter stating that you have lost one or more of your Share Option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your Share Option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (d) No stamp duty will be deducted from the amount paid or payable to Optionholders who accept the Option Offer.
- (e) No acknowledgment of receipt of any **PINK** Form(s) of the Option Offer Acceptance and/or certificate(s) of the Share Options (if applicable) will be given.

In making their decision, the Optionholders must rely on their own examination of the Group and the terms of the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, Lego Securities, Lego Corporate Finance, Innovax Capital, Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers. Optionholders should consult their own professional advisers for professional advice.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Forms of Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offers will be closed on the Closing Date. The Offers are unconditional.
- (b) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offers have been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offers, at least fourteen (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offers, to those Offer Shareholders or Optionholders who have not accepted the Offers.
- (d) If the Offeror revises the terms of the Offers, all Offer Shareholders and Optionholders, whether or not they have already accepted the Offers will be entitled to the revised terms. The revised Offers must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (e) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers so extended.

4. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offers have been extended, revised or has expired.

Such announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired by the Offeror or any persons acting in concert with it during the Offer Period.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any persons acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold and the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.
- (c) As required by the Takeovers Code and the Listing Rules, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.howkingtech.com).

5. NOMINEE REGISTRATION

To ensure equality of treatment to all Offer Shareholders, those registered Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

6. RIGHT OF WITHDRAWAL

- (i) Acceptance of the Offers tendered by the Offer Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (ii) below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed "4. Announcement" in this appendix, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Offer Shareholders and the Optionholders who have tendered acceptances of the Offers, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met.

In such case, when the Offer Shareholders and/or Optionholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares and/or Share Options (as the case may be) lodged with the Form(s) of Acceptance to the relevant Offer Shareholders and the Optionholders (as the case may be) at their own risk.

7. SETTLEMENT OF THE OFFERS**Share Offer**

Provided that the accompanying **WHITE** Form of the Share Offer Acceptance, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholders in respect of the Offer Shares tendered under the Share Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to such Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Share Offer will be paid by the Offeror in full in accordance with the terms of the Share Offer (save in respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying **WHITE** Form of the Share Offer Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Offer Shareholder who accept the Share Offer will be rounded up to the nearest cent.

Option Offer

Provided that the accompanying **PINK** Form of the Option Offer Acceptance, together with the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are valid, complete and in good order and have been received by the Company no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Optionholders in respect of the Share Options tendered under the Option Offer will be despatched to such Optionholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Company in accordance with the Takeovers Code

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be paid by the Offeror in full in accordance with the terms of the Option Offer set out in this Composite Document (including this appendix) and the accompanying **PINK** Form of the Option Offer Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

No fraction of a cent will be payable and the amount of consideration payable to an Optionholder who accept the Option Offer will be rounded up to the nearest cent.

8. AVAILABILITY OF THE OFFERS

The availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should fully observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the sole responsibilities of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

Any acceptance of the Offers by any Overseas Shareholder and/or Overseas Optionholder will be deemed to constitute a representation and warranty from such Overseas Shareholder and/or Overseas Optionholder to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

9. VALIDITY OF THE SHARE OPTIONS UPON CLOSE OF THE OFFERS

Pursuant to the Share Option Scheme, when this Composite Document is despatched, the Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to the Company within 21 days after the despatch of this Composite Document exercise the Share Options (not already exercised, whether vested or not vested) to its full extent or to the extent specified in such notice and after which the Share Options shall lapse automatically.

10. HONG KONG STAMP DUTY

The seller's Hong Kong ad valorem stamp duty will be payable by the Offer Shareholders on acceptances of the Share Offer calculated at a rate of 0.10% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror, in respect of the relevant acceptances of the Share Offer, whichever is higher, and the amount of such duty will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

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

11. GENERAL

- (a) All communications, notices, Forms of Acceptance, certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Offer Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. None of the Offeror, the Company, Lego Securities, Lego Corporate Finance, Innovax Capital, Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof or in connection therewith.
- (b) Acceptance of the Share Offer by any Offer Shareholders will constitute a warranty by such person to the Offeror and Lego Securities that all Offer Shares to be sold by such person under the Share Offer are fully paid and free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of this Composite Document.
- (c) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror and Lego Securities that the number of Offer Shares in respect of which it has indicated in the **WHITE** Form of the Share Offer Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Share Offer.
- (d) Acceptance of the Option Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror and Lego Securities that the number of Share Options in respect of which it has indicated in the **PINK** Form of the Option Offer Acceptance is the aggregate number of Share Options held by such nominee for such beneficial owners who accept the Option Offer.
- (e) Acceptance of the Offers by any person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable/ due by such persons.
- (f) All acceptances, instructions, authorities and undertakings given by the Offer Shareholders and the Optionholders in the Forms of Acceptance shall be irrevocable, except as permitted under the Takeovers Code.

- (g) The provisions set out in the accompanying Forms of Acceptance form part of the terms of the Offers.
- (h) The accidental omission to despatch this Composite Document and/or the accompanying Forms of Acceptance or either of them to any person to whom the Offers are made shall not invalidate the Offers in any way.
- (i) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (j) Due execution of the Forms of Acceptance will constitute an irrevocable authority to the Offeror and/or Lego Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person accepting the Offers, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares and Share Options in respect of which such person has accepted the Offers.
- (k) The Offers are made in accordance with the Takeovers Code.
- (l) In making their decision, the Offer Shareholders and Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the accompanying Forms of Acceptance shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, Lego Securities, Lego Corporate Finance, Innovax Capital Limited, Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers. The Offer Shareholders and the Optionholders should consult their own professional advisers for professional advice.
- (m) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offers in Hong Kong and the operating rules of the Stock Exchange.
- (n) References to the Offers in this Composite Document and the Forms of Acceptance shall include any extension and/or revision thereof.
- (o) The English text of this Composite Document and of the accompanying Forms of Acceptance shall prevail over the Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of (i) the audited financial results of the Group for each of three years ended 31 December 2023 as extracted from the published annual reports of the Company; and (ii) the unaudited consolidated interim financial results of the Group for the six months ended 30 June 2023 and the six months ended 30 June 2024, respectively as extracted from the published interim report of the Company for the six months ended 30 June 2024.

Results

	For the six months ended		For the year ended		
	30 June		31 December		
	2024	2023	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	31,050	176,744	440,550	323,964	189,552
(Loss)/profit before tax	(30,742)	12,049	34,456	33,234	40,068
Income tax expense	–	(1,758)	(8,963)	(4,730)	(5,688)
(Loss)/profit for the year/period attributable to owners of the parent	(30,742)	10,291	25,493	28,504	34,380
Other comprehensive (loss)/income for the year/period	(614)	(494)	118	990	(486)
Total comprehensive (loss)/income for the year/period attributable to owners of the parent	(31,356)	9,797	25,611	29,494	33,894
(Loss)/earnings per share attributable to ordinary equity holders of the parent					
Basic (RMB cents)	(14.34)	4.58	11.61	14.93	18.19
Diluted (RMB cents)	(14.34)	4.55	11.55	14.93	18.19

The Company did not record any non-controlling interests for each of the three years ended 31 December 2023, as well as each of the six months ended 30 June 2023 and the six months ended 30 June 2024.

No dividend has been declared or paid by the Company during each of the three years ended 31 December 2023, as well as each of the six months ended 30 June 2023 and the six months ended 30 June 2024.

Save for disclosed above, there were no items of income or expenses which are material in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2023, and the unaudited consolidated financial statements of the Group for each of the six months ended 30 June 2023 and the six months ended 30 June 2024.

The auditors of the Company for the three years ended 31 December 2023 were Ernst & Young. The auditors' reports issued by Ernst & Young in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2023 did not contain any qualified or modified opinion, emphasis of matter or material uncertainty related to going concern.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for each of the years ended 31 December 2021 (the "**2021 Financial Statements**"), 2022 (the "**2022 Financial Statements**") and 2023 (the "**2023 Financial Statements**"), respectively, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 (the "**2024 Interim Financial Statements**"), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements are set out from page I-5 to page I-77 of the listing prospectus of the Company dated 30 November 2022 (the "**Listing Prospectus**"). The Listing Prospectus is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.howkingtech.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1130/2022113000131.pdf>

The 2022 Financial Statements are set out from page 101 to page 173 of the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"), which was published on 24 April 2023. The 2022 Annual Report is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.howkingtech.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042402180.pdf>

The 2023 Financial Statements are set out from page 155 to page 264 of the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"), which was published on 23 April 2024. The 2023 Annual Report is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.howkingtech.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0423/2024042300978.pdf>

The 2024 Interim Financial Statements are set out from page 33 to page 61 of the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”), which was published on 13 September 2024. The 2024 Interim Report is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.howkingtech.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0913/2024091300822.pdf>

3. INDEBTEDNESS

At the close of business on 31 December 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as set out below.

At the close of business on 31 December 2024, the Group had the following borrowings or indebtedness in the nature of borrowings:

	As at 31 December 2024 RMB
Current Portion:	
Interest-bearing bank borrowings – unsecured and unguaranteed	3,000,000
Lease liabilities – unsecured and unguaranteed (<i>note</i>)	716,950
Non-current:	
Lease liabilities – unsecured and unguaranteed (<i>note</i>)	<u>211,222</u>
Total	<u><u>3,928,172</u></u>

Note: These lease liabilities relate to lease arrangements of office premises.

Save as aforesaid, the Group did not, at the close of business on 31 December 2024, have any other material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgages or charges; or (iv) contingent liabilities or guarantees.

4. MATERIAL CHANGE

The Directors confirm that, save and except for the following, there was no material change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

As disclosed in the interim report of the Company for the six months ended 30 June 2024,

- (i) the Group recorded a decrease in revenue by approximately 82.4% from approximately RMB176.7 million for the six months ended 30 June 2023 (“1H2023”) to approximately RMB31.1 million for the six months ended 30 June 2024 (“1H2024”) which was mainly due to (i) decrease in revenue from data transmission and processing services by approximately 73.4% mainly resulting from the Group’s clients in the IoT industry having delayed their projects taking into consideration of their concerns in cash flows and uncertainty in macroeconomic condition; and (ii) decrease in sales of telecommunication equipment due to lack of customer demand;
- (ii) the Group recorded a decrease in gross profit by approximately 95.1% from approximately RMB27.2 million for 1H2023 to approximately RMB1.3 million for 1H2024, resulting from decrease in revenue and gross profit margin. The Group’s gross profit margin decreased from approximately 15.4% for 1H2023 to approximately 4.3% for the same period in 2024. Such decrease in gross profit margin of 2024 was mainly attributable to (i) intensified market competition and uncertainty in macroeconomic conditions; (ii) a decrease in exports of IoT antennas to the United States, which had a high gross profit margin of approximately 34.9% in 1H2023; and (iii) a relatively lower cooperation price to develop new customers, the number of which accounted for approximately 66.7% of the total number of customers in the 1H2024;
- (iii) the Group recorded an increase in administrative expenses by approximately 86.9% from approximately RMB13.9 million for 1H2023 to approximately RMB26.0 million for 1H2024 which was mainly due to the increase in research and development expenses and staff costs;
- (iv) the Group recorded an increase in impairment losses on financial assets by approximately 271.2% from approximately RMB1.7 million for 1H2023 to approximately RMB6.5 million for 1H2024 mainly due to the trade receivables aged over one years as at 30 June 2024 increased by approximately 33.5% as compared to that of 31 December 2023; and

- (v) as a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately RMB31.4 million for 1H2024 as compared that profit attributable to owners of the parent of approximately RMB9.8 million.
- (vi) the net current assets of the Group as at 30 June 2024 decreased from approximately RMB241.2 million as at 31 December 2023 to approximately RMB217.4 million as at 30 June 2024, which primarily due to (a) decrease in trade and notes receivables from approximately RMB279.8 million as at 31 December 2023 to approximately RMB263.4 million as at 30 June 2024 as a result of decrease in revenue and increase in provision for impairment in 1H2024; (b) decrease in cash and cash equivalents from approximately RMB27.5 million as at 31 December 2023 to approximately RMB14.1 million as at 30 June 2024 resulting from the net cash used in operating activities and (c) decrease in time deposits from approximately RMB5.7 million as at 31 December 2023 to nil as at 30 June 2024.

As disclosed in the Profit Warning Announcements, based on the preliminary review of the management accounts of the Group for the year ended 31 December 2024 (“FY2024”), the Group is expected to record a decrease in its revenue for FY2024 by 75% to 85% compared to approximately RMB440.6 million for the year ended 31 December 2023 and a net loss for FY2024 of RMB68.0 million to RMB83.0 million compared to a net profit of approximately RMB25.5 million for the year ended 31 December 2023. Such estimated decrease in revenue during FY2024 is mainly attributable to (i) a decrease in revenue from data transmission and processing services because the Group’s clients in the IoT industry have delayed their projects taking into consideration of their concerns in cashflows and uncertainty in macroeconomic condition; and (ii) a decrease in revenue from sales of equipment due to the lack of customer demand during FY2024. The aforesaid estimated decrease in revenue, together with (i) a decrease in gross margin as a result of the intensified market competition; (ii) an increase in impairment losses on trade receivables due to slower collection, resulted in the estimated net loss position of the Group for FY2024.

According to the management accounts of the Group for FY2024, the net current assets of the Group as at 31 December 2024 further decreased as compared to that as at 30 June 2024, mainly due to decrease in cash and cash equivalents and trade and notes receivables and partially offset by decrease in trade payables.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Group, the Selling Shareholders or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Offeror and parties acting in concert with it were in aggregate interested in a total of 157,755,400 Shares, representing approximately 67.42% of the total issued share capital of the Company. Save for the aforesaid, as at the Latest Practicable Date, the Offeror, its ultimate beneficial owner or parties acting in concert with any of them did not hold, own, have control or direction over any voting rights or rights over the Shares, convertible securities, warrants, options of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for and except the Sale Shares acquired by the Offeror from the Selling Shareholders, none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities of the Company during the Relevant Period;
- (ii) save for and except the sale and purchase of the Sale Shares under the SPAs entered into by the Offeror with, among others, the respective Selling Shareholders, each of which (a) had nil interest in the issued share capital of the Company as at the Latest Practicable Date, save for the interest of 7,977,097 Share Options held by Ms. Wang, a party acting in concert with the Controlling Selling Shareholder with the exercise price of HK\$1.56 each and the exercise period from 29 March 2024 to 28 March 2033; and (b) had not dealt for value in the Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such derivatives of the Company during the Relevant Period, save for the disposal of an aggregate of 157,755,400 Shares to the Offeror under the SPAs at the consideration of HK\$140,244,550.2, the disposal of 925,000 Shares by Ms. Wang in the market at prices ranging from HK\$2.15 to HK\$2.49 per Share on 28 January 2025 after her exercise of 925,000 Share Options at the exercise price of HK\$1.56 on the same date, the disposal of 108,000 Shares by the Other Selling Shareholder 6 in the market at the prices ranging from HK\$2.57 to HK\$2.67 per Share on 28

January 2025 after her exercise of 108,000 Share Options at the exercise price of HK\$1.56 each on the same date, and the disposal of 217,000 Shares by the Other Selling Shareholder 6 in the market at prices ranging from HK\$2.00 to HK\$2.10 per Share on 5 February 2025 after her exercise of 217,000 Share Options at the exercise price of HK\$1.56 each on the same date, there were no other arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code entered into between the Offeror or any persons acting in concert with it and any other person;

- (iii) there was no agreement or arrangement to which any of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them was a party which related to circumstances in which the Offeror might or might not invoke or seek to invoke a condition to the Offers;
- (iv) none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (v) there were no persons who, prior to the posting of this Composite Document, had irrevocably committed themselves to accept or reject the Offers;
- (vi) there was no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which had been entered into by the Offeror, its ultimate beneficial owner or parties acting in concert with any of them;
- (vii) save for and except the consideration for the Sale Shares paid by the Offeror to the Selling Shareholders under the SPAs, there was no other consideration, compensation or benefits in whatever form (other than statutory compensation required under the applicable laws) paid or to be paid by the Offeror, its ultimate beneficial owner or parties acting in concert with any of them to each of the Selling Shareholders, its ultimate beneficial owners or parties acting in concert with it in connection with the sale and purchase of the Sale Shares under the SPAs or loss of office or otherwise in connection with the Offers;
- (viii) no benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (ix) save for and except the SPAs, there was no understanding, arrangement or agreement or special deal (as defined in Rule 25 of the Takeovers Code) between the Selling Shareholders, their respective ultimate beneficial owners or parties acting in concert with any of them on one hand, and the Offeror, its ultimate beneficial owner or parties acting in concert with any of them on the other hand;

- (x) save for and except the SPAs, there was no understanding, arrangement or agreement or special deal (as defined in Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies;
- (xi) Save for and except the MOU and the SPAs, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between any of the Offeror and parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offers;
- (xii) there was no agreement, arrangement or understanding existed whereby any securities acquired in pursuance of the Offers or the Sale Shares would be transferred, charged or pledged to any other persons;
- (xiii) no Shares or any convertible securities, warrants, options or derivatives in respect of such securities of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with any of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of such securities of the Company during the Relevant Period; and
- (xiv) save for and except the SPAs entered into by the Offeror with, among others, the respective Selling Shareholders, there were no other arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any persons acting in concert with it and any other person.

4. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
31 July 2024	1.00
30 August 2024	0.98
30 September 2024	0.99
31 October 2024	0.85
29 November 2024	0.90
31 December 2024	0.70
17 January 2025 (being the Last Trading Date)	0.82
28 January 2025	2.09
28 February 2025	3.00
4 March 2025 (being the Latest Practicable Date)	3.10

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$3.74 per Share on 21 February 2025 and HK\$0.60 on 7 January 2025, respectively.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualification
Lego Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in connection with the Offers
Lego Securities	a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offers for and on behalf of the Offeror

Each of the experts above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report or advice and/or references to its name in the form and context in which they respectively appear.

6. MISCELLANEOUS

As at the Latest Practicable Date:

- (i) the Offeror was incorporated in the British Virgin Islands with limited liability. The Offeror was directly wholly owned by Mr. Chan Chin Ching. The directors of the Offeror were Mr. Chan Chin Ching and Mr. Chan Chin Chun;
- (ii) the registered address of the Offeror was Portcullis Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110, and the correspondence address was Unit 1104, 11/F, Crawford House, 70 Queen's Road Central, Central, Hong Kong;
- (iii) the registered office of Lego Securities was situated at Room 1506, 15/F, Wheelock House, 20 Pedder Street, Central, Hong Kong;
- (iv) the registered office of Lego Corporate Finance was situated at Room 1505, 15/F, Wheelock House, 20 Pedder Street, Central, Hong Kong;
- (v) in the event of inconsistency, the English texts of this Composite Document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts.

7. DOCUMENTS ON DISPLAY

In addition to the documents relating to the Company as set out in the section headed "11. DOCUMENTS ON DISPLAY" of Appendix IV to this Composite Document, copies of the following documents are available for inspection (i) on the website of the SFC (www.sfc.hk); and (ii) on the website of the Company (www.howkingtech.com) from the date of the Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the "Letter from Lego Securities", the text of which is set out in this Composite Documents;
- (iii) the consent letters referred to in the section headed "5. QUALIFICATIONS AND CONSENTS OF EXPERTS" in this appendix; and
- (iv) this Composite Document and the accompanying Forms of Acceptance.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Documents (other than those relating to the Offeror), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was US\$3,000,000 divided into 300,000,000 Shares of US\$0.01 each. The number of issued and paid-up Shares of the Company as at the Latest Practicable Date was 233,974,000 Shares.

All the Shares in issue rank *pari passu* in all respects with each other, including as to the rights in respect of capital, dividends and voting.

The Shares are listed on the Main Board and no Shares are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 December 2023 (being the date to which the latest audited financial statements of the Group were made up), save for and except the issuance of an aggregate of 8,974,000 Shares issued upon exercise of the Share Options by the participants under the Share Option Scheme, no Shares had been issued by the Company.

As at the Latest Practicable Date, the Company had 13,376,000 outstanding Share Options granted pursuant to the Share Option Scheme conferring rights to subscribe for 13,376,000 new Shares with an exercise price of HK\$1.56 per Share Option. Pursuant to the Share Option Scheme, when this Composite Document is despatched, the Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to the Company within 21 days after the despatch of this Composite Document exercise the Share Options (not already exercised, whether vested or not vested) to its full extent or to the extent specified in such notice and after which the Share Options shall lapse automatically. Save for the Share Options mentioned above, the Company had no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares. The Company had no intention to grant any new share awards under the Share Award Scheme during the Offer Period.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
31 July 2024	1.00
30 August 2024	0.98
30 September 2024	0.99
31 October 2024	0.85
29 November 2024	0.90
31 December 2024	0.70
17 January 2025 (being the Last Trading Date)	0.82
28 January 2025	2.09
28 February 2025	3.00
4 March 2025 (being the Latest Practicable Date)	3.10

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$3.74 per Share on 21 February 2025 and HK\$0.60 on 7 January 2025, respectively.

4. DISCLOSURE OF INTEREST

(a) Interests and short positions of the Directors and chief executive

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which were (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 which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or (iii) required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or (iv) required to be disclosed under the Takeovers Code:

*Long Positions in the Shares and the underlying Shares**Share Options granted by the Company*

Name of Director	Capacity	Number of underlying Shares held pursuant to the Share Options	Approximate percentage of total issued Shares of the Company (Note)
Ms. Wang	Beneficial owner	7,977,097	3.41%
Mr. Feng	Beneficial owner	1,500,416	0.64%
Mr. Wang	Beneficial owner	2,610,487	1.12%

Note: As at the Latest Practicable Date, the total number of issued Shares of the Company was 233,974,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had, or were deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which were (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 which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or (iii) required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or (iv) required to be disclosed under the Takeovers Code.

(b) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions 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 as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO:

Long Positions in the Shares and the underlying Shares

Name of the Shareholder	Capacity	Number of Shares held	Approximate percentage of total issued Shares of the Company (Note 1)
The Offeror	Beneficial owner	157,755,400	67.42%
Mr. Chan Chin Ching (Note 2)	Interest in controlled corporation	157,755,400	67.42%

Notes:

1. As at the Latest Practicable Date, the total number of issued Shares of the Company was 233,974,000 Shares.
2. As at the Latest Practicable Date, the Offeror was directly wholly owned by Mr. Chan Chin Ching.

As at the Latest Practicable Date, save as disclosed above, the Directors and the chief executive of the Company were not aware of any other persons or entities (other than the Directors or chief executives of the Company) who had interests or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO.

5. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

The Company confirms that:

- (i) Save as disclosed in the section headed “4. DISCLOSURE OF INTERESTS — Interests and short positions of the Directors and chief executives” in this appendix, none of the Directors had any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares as at the Latest Practicable Date, and save as disclosed below, none of the Directors or companies owned or controlled by them had dealt for value in any Shares, options, derivatives, warrants or other securities convertible into the Shares or other types of equity interest in the Company during the Relevant Period:

Name of Director	Date	Dealings	Price
Ms. Wang (an executive Director and the spouse of Dr. Chen (an executive Director and the Chairman))	17 January 2024 (date of the Controlling Shareholder SPA) and	Disposal of 121,124,579 Shares pursuant to the Controlling Shareholder SPA	Approximately HK\$0.889 per Share
	27 January 2025 (date of the Completion)		
	28 January 2025	Exercise of 925,000 Share Options	HK\$1.56 (exercise price) per Share Option
Mr. Feng (an executive Director)	27 January 2025	Disposal of 925,000 Shares	HK\$2.15 to HK\$2.49 per Share
		Exercise of 4,313,000 Share Options	HK\$1.56 (exercise price) per Share Option
	28 January 2025	Disposal of 4,313,000 Shares	HK\$1.54 to HK\$2.59 per Share
		Exercise of 100,000 Share Options	HK\$1.56 (exercise price) per Share Option
		Disposal of 100,000 Shares	HK\$2.01 per Share

Name of Director	Date	Dealings	Price
Mr. Wang (an executive Director)	28 January 2025	Exercise of 444,000 Share Options	HK\$1.56 (exercise price) per Share Option
		Disposal of 444,000 Shares	HK\$2.09 to HK\$2.74 per Share
	3 February 2025	Exercise of 130,000 Share Options	HK\$1.56 (exercise price) per Share Option
		Disposal of 130,000 Shares	HK\$2.07 to HK\$2.10 per Share

- (ii) none of the Company nor any of the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror as at the Latest Practicable Date, and no such person had dealt in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror during the Relevant Period;
- (iii) none of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled, or had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period;
- (iv) save for and except the Offeror, who entered into the MOU and Controlling Shareholder SPA with the Controlling Selling Shareholder and was interested in 157,755,400 Shares as at the Latest Practicable Date, no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period;
- (v) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers, if any) connected with the Company, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period;

- (vi) Ms. Wang, Mr. Feng and Mr. Wang, being the executive Directors interested in 7,977,097 Shares Options, 1,500,416 Share Options and 2,610,487 Share Options, respectively. Ms. Wang, Mr. Feng and Mr. Wang have indicated that they do not tend to accept the Offers. Save for the above, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers;
- (vii) none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares;
- (viii) there was no arrangement in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (ix) save for and except the MOU and the Controlling Shareholder SPA, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (x) save for and except the MOU and the Controlling Shareholder SPA, there was no material contracts entered into by the Offeror in which any Director has a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts with any members of the Group or the associated companies of the Company in force which:

- (i) (including both continuous and fixed term contracts) had been entered into or amended within six months prior to the commencement of the Offer Period;
- (ii) were continuous contracts with a notice period of 12 months or more; or
- (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

7. QUALIFICATIONS AND CONSENTS OF THE EXPERTS

In addition to the Offeror's experts listed in the section headed "5. QUALIFICATIONS AND CONSENTS OF EXPERTS" in Appendix II to this Composite Document, the following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualification
Innovax Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate financing) regulated activities under the SFO, being the Independent Financial Adviser
Ernst & Young	Certified Public Accountants

Each of Innovax Capital and Ernst & Young has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or advice and/or references to its name in the form and context in which they appear respectively.

8. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any members of the Group.

9. MATERIAL CONTRACT

On 25 May 2023, the Company (as the subscriber) entered into a share subscription agreement with Etic International Limited (as the issuer) and Yitaike Talent Limited in relation to the conditional subscription by the Company of 111,270 new ordinary shares in the share capital of Etic International Limited at a consideration of HK\$15,000,000 in cash.

Save as disclosed above, there were no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) which have been entered into by any members of the Group within the two years immediately preceding the date of commencement of the Offer Period up to and including the Latest Practicable Date, which are or may be material.

10. MISCELLANEOUS

As at the Latest Practicable Date:

- (i) the registered address of the Company was 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands, the principal place of business of the Company in Hong Kong was Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and the principal place of business of the Company in the PRC was 8/F, Building B4, 9 Mozhoudong Road, Jiangning Economic and Technological Development Zone, Nanjing, Jiangsu Province, PRC;
- (ii) the branch share registrar and transfer office of the Company in Hong Kong was Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;
- (iii) the registered office of Innovax Capital was situated at Room B, 13/F, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong; and
- (iv) in the event of inconsistency, the English texts of this Composite Document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts.

11. DOCUMENTS ON DISPLAY

In addition to the documents relating to the Company as set out in the section headed "7. DOCUMENTS ON DISPLAY" of Appendix III to this Composite Document, copies of the following documents are available for inspection (i) on the website of the SFC (www.sfc.hk); and (ii) on the website of the Company (www.howkingtech.com) from the date of the Composite Document up to and including the Closing Date:

- (i) the amended and restated memorandum and articles of association of the Company;
- (ii) the 2024 Interim Report, the 2023 Annual Report and the 2022 Annual Report;
- (iii) the "Letter from the Board", the text of which is set out in this Composite Document;
- (iv) the "Letter from the Independent Board Committee", the text of which is set out in this Composite Document;
- (v) the "Letter from the Independent Financial Adviser", the text of which is set out in this Composite Document;

- (vi) the report from Ernst & Young on the Loss Estimate, the text of which is set out in Appendix V to this Composite Document;
- (vii) the report from the Independent Financial Adviser on the Loss Estimate, the text of which is set out in Appendix VI to this Composite Document;
- (viii) the consent letters referred to in the section headed “7. QUALIFICATIONS AND CONSENTS OF EXPERTS” in this appendix;
- (ix) the material contract referred to in the section headed “9. MATERIAL CONTRACT” of this appendix; and
- (x) this Composite Document and the accompanying Forms of Acceptance.

The following is the text of the report on the Loss Estimate from the Ernst & Young, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of inclusion in this Composite Document.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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ey.com

7 March 2025

The Board of Directors
Howkingtech International Holding Limited
Room 1920, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay,
Hong Kong

Dear Sirs,

Howkingtech International Holding Limited (“the Company”) and its subsidiaries (“the “Group”)

Loss estimate for the year ended 31 December 2024

We refer to the estimate of the unaudited consolidated net loss for the year ended 31 December 2024 (“**the Loss Estimate**”) set forth in the section headed “Loss Estimate” in the Composite Document dated 7 March 2025 in relation to the unaudited results of the Group for the year ended 31 December 2024. The Loss Estimate is required to be reported on under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors’ responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the unaudited consolidated results of the Group as shown in the management accounts of the Group for the year ended 31 December 2024.

The Company’s directors are solely responsible for the Loss Estimate.

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Because of its nature, the Loss Estimate is not derived from any of the audited financial statements. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2023.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX VI REPORT FROM THE INDEPENDENT FINANCIAL
ADVISER ON THE LOSS ESTIMATE

The following is the text of the report on the Loss Estimate from the Independent Financial Adviser, Innovax Capital Limited, which has been prepared for the purpose of inclusion in this Composite Document.

7 March 2025

The Board of Directors
Howkingtech International Holding Limited
Room 1920, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Dear Sirs,

We refer to the section headed “Loss Estimate” to the composite offer and response document jointly issued by Home Office Development Limited and Howkingtech International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 7 March 2025 (the “**Composite Document**”). Capitalised terms used herein have the same meanings as defined in the Composite Document unless the context requires otherwise.

We refer to the statement (the “**Statement**”) made by the Directors in the Composite Document, as follows:

*“based on a preliminary review of the management accounts of the Group for the year ended 31 December 2024 and the information currently made available to the Board, the Group is expected to record a net loss for the year ended 31 December 2024 of RMB68.0 million to RMB83.0 million compared to a net profit of approximately RMB25.5 million for the year ended 31 December 2023. (the “**Loss Estimate**”).”*

The Statement is regarded as profit forecast under Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Statement has been prepared by the Directors based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2024 (which have not been reviewed or audited by the Company’s auditor or the audit committee of the Company and are subject to adjustments) and the information currently available to the Board.)

We have discussed with the Directors the bases upon which the Statement was prepared. We have also considered the report dated 7 March 2025 issued by Ernst & Young, the auditors of the Company, the text of which is set out in Appendix V to this Composite Document, which stated that, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2023.

**APPENDIX VI REPORT FROM THE INDEPENDENT FINANCIAL
ADVISER ON THE LOSS ESTIMATE**

Based on the above, we are satisfied that the Statement, for which the Directors are solely responsible, has been made with due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Loss Estimate. The Directors remain solely responsible for the Loss Estimate.

This letter is provided to the Company solely for the purpose of complying with Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code and for no other purpose. We do not accept any responsibility to any person(s), other than the Company, in respect of, arising out of, or in connection with this letter. This letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any purposes, without our prior written consent.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Alvin Kam **Erica Ling**
Managing Director *Director*