

Contel Technology Company Limited

康特隆科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1912)

Executive Directors:

Mr. Lam Keung (*Chairman and Chief Executive Officer*)

Mr. Qing Haodong

Mr. Mai Lu

Ms. Cheng Yu Pik

Independent Non-executive Directors:

Mr. Dan Kun Lei, Raymond

Mr. Chan Ngai Fan

Mr. Lai Man Shun

Registered Office:

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Hutchins Drive

P O Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Head Office and Principal Place of

Business in Hong Kong

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Leader Industrial Centre

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Tsuen Wan,

New Territories

Hong Kong

29 November 2022

To: Qualifying Shareholders

(Subject to compliance with relevant local laws, regulations and requirements)

for information purposes only, Non-Qualifying Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES
FOR EVERY FIVE (5) EXISTING SHARES HELD ON
THE RECORD DATE AT HK\$0.063 PER RIGHTS SHARE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcement and in relation to, among other things, the Rights Issue.

It was announced that the Company proposed to raise not more than HK\$20.2 million before expenses by way of the Rights Issue to the Shareholders (on the basis that no new Shares are issued and no repurchase of Shares on or before the Record Date). The Rights Issue is not underwritten and involves the issue of 320,000,000 Rights Shares (on the basis that no new Shares are issued and no repurchase of Shares on or before the Record Date) at the Subscription Price of HK\$0.063 per Rights Share on the basis of two (2) Rights Shares for every five (5) existing Shares in issue on the Record Date.

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

Rights Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Share for every five (5) existing Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.063 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.060 per Rights Share (assuming no change in the share capital of the Company on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders)
Number of Shares in issue as at the Record Date	:	800,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 320,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 1,120,000,000 Shares (assuming no change in number of Shares in issue on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders)

Aggregate nominal value of the Rights Shares	:	Up to approximately HK\$3,200,000 (assuming no change in number of Shares in issue on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders)
Number of Rights Shares undertaken to be taken up	:	P. Grand and Kingtech have undertaken to take up 213,356,000 Rights Shares in aggregate (represented 66.67% of the total Rights Shares proposed to be provisionally allotted by the Company) pursuant to the Company pursuant to the Irrevocable Undertakings
Gross proceeds from the proposed Rights Issue	:	From approximately HK\$13.4 million (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up pursuant to the Irrevocable Undertakings) to approximately HK\$20.2 million (assuming all the Rights Shares will be taken up by the Qualifying Shareholders)
Right of excess application	:	There will be no excess application arrangements in relation to the Rights Issue

As at the Latest Practicable Date, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 320,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 40% of the total number of the existing issued Shares as at the Latest Practicable Date and 28.57% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally

allotted to P. Grand and Kingtech for which subscription of Rights Shares will be subject to the Undertaking as set out in the paragraph headed "Undertakings" in the "Letter from the Board" section of this prospectus, and the NQS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares and/or NQS Unsold Rights Shares which remain not placed following the completion of the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Qualifying Shareholder who applies to take up all or part of his/her/its entitlement under the Provisional Allotment Letter may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Qualifying Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Qualifying Shareholder (except for HKSCC Nominees) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Qualifying Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

The Cayman legal advisers of the Company have confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

Undertakings

As at the Latest Practicable Date, P. Grand and Kingtech, the controlling shareholders of the Company, are together interested in 533,390,000 Shares, representing approximately 66.67% of the issued Shares. Pursuant to the Irrevocable Undertakings, P. Grand and Kingtech have irrevocably undertaken to the Company that, among others, they will accept or procure the acceptance of the Rights Shares to be provisionally allotted to it under the Rights Issue of 213,356,000 Rights Shares (being all of the assured entitlement of P. Grand and Kingtech under the Rights Issue based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the Latest Practicable Date up to and including the Record Date).

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholder of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price of HK\$0.063 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue and when a transferee of the Nil Paid Rights subscribes or applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 23.2% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 25.0% to the average closing prices of approximately HK\$0.084 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.4% to the average closing prices of approximately HK\$0.088 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 18.2% to the theoretical ex-rights price of approximately HK\$0.077 per Share based on the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Note 1 to Rule 7.27B of the Listing Rules) of approximately 7.1%, represented by the theoretical diluted price of approximately HK\$0.078 per Share to the benchmarked price of approximately HK\$0.084 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of the Last Trading Day of HK\$0.082 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of approximately HK\$0.084 per Share)^(Note); and
- (vi) a discount of approximately 80.9% to the audited consolidated net asset value of the Company of approximately US\$0.043 (equivalent to approximately HK\$0.33 per Share) (based on the latest published audited consolidated net asset value attributable to owners of the Company of approximately US\$34,332,000 as at 31 December 2021 as disclosed in the annual report of the Company for the year ended 31 December 2021 and 800,000,000 Shares in issue as at the Latest Practicable Date).

Note: Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholders to those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 7.1%. The theoretical dilution effect of the Rights Issue of approximately 7.1% is below the 25% and is therefore not restricted pursuant to Rule 7.27B of the Listing Rules.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in connection with the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.060 per Rights Share (assuming no change in the share capital of the Company on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders).

The Subscription Price was determined with reference to, among others, (i) recent market price of the Shares under prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for and Benefits of the Rights Issue” in the “Letter from the Board” section of this prospectus.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the Nil-Paid Rights in the market; and (ii) the proposed Rights Issue would give Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares; and (iii) the net proceeds from the Rights Issue would be used towards satisfying funding needs of the Group in achieving its business objectives.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every five (5) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the full amount payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holding (or balance of holdings) of less than five (5) Shares will not entitle the holders to be provisionally allotted a Rights Share. Please refer to the arrangement as set out in the paragraph headed "No fractional entitlements to the Rights Shares" in the "Letter from the Board" section of this prospectus.

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

Conditions of the Rights Issue

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

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on the Posting Date;
- (iii) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the Business Day prior to the first day of their dealing; and
- (iv) the Placing Agreement not being terminated.

None of the conditions set out above can be waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed and in which case, a further announcement will be made by the Company at the relevant time.

Status of the Rights Shares

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

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date and not being a Non-Qualifying Shareholder.

Shareholders with their Shares held by nominee companies (or which are deposited in and held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in and held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The Company has despatched the Prospectus Documents to the Qualifying Shareholders on the Posting Date. To the extent reasonably practicable and subject to compliance with relevant local laws, regulations and requirements of Non-Qualifying Shareholders (if any), the Company will also send the Prospectus (but not the PALs) to Non-Qualifying Shareholders (if any) for their information only.

Non-Qualifying Shareholders

Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the Nil Paid Rights commence, if

a premium (net of expenses) can be obtained. Please refer to the the section headed “Procedures in respect of the Rights Shares not subscribed and the NQS Unsold Rights Shares and the Compensatory Arrangements” in the “Letter from the Board” section of this Prospectus for further details.

No Overseas Shareholders

As at the Latest Practicable Date, except for P. Grand and Kingtech whose registered addresses are situated in the British Virgin Islands, no other Shareholder has a registered address (as shown on the register of members of the Company) which is outside of Hong Kong. Therefore, there is no Non-Qualifying Shareholders for the purpose of the Rights Issue.

The Company has obtained advice from qualified legal advisers as to British Virgin Islands law that, under the applicable legislations of the British Virgin Islands, there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to P. Grand and Kingtech. Accordingly, the Board is of the view that it is expedient to extend the Rights Issue to P. Grand and Kingtech being the only Overseas Shareholders with registered addresses in the British Virgin Islands, Such Overseas Shareholders are therefore considered as Qualifying Shareholders and these were no Non-Qualifying Shareholder as at Record Date.

It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares.

Distribution of this Prospectus and other Prospectus Documents

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

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

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

Procedures for acceptance, application or transfer

General

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

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

- he/she/it was a Shareholder as at the Record Date, or he/she/it lawfully acquired or may lawfully acquire rights, directly or indirectly, from such a person;

- he/she/it may lawfully be offered, take up, exercise, obtain, subscribe for and receive the rights and/or the Rights Shares in the jurisdiction in which he/she/it resides or is currently located;
- subject to certain exceptions, he/she/it is not resident or located in, or a citizen of, the United States, and is not a US person;
- subject to certain exceptions, he/she/it is not accepting an offer to acquire, take up or exercise rights or Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of the United States or is a US person at the time the instruction to accept was given;
- he/she/it is not doing so for the account of any person who is located in the United States or is a US person, unless:
 - a. the instruction to purchase or take up the rights or to subscribe for or accept Rights Shares was received from a person outside the United States who is not a US person; and
 - b. the person giving such instruction has confirmed that he/she/it (i) has the authority to give such instruction; and (ii) either (A) has investment discretion over such account; or (B) is an investment manager or investment company that is acquiring the Rights Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act;
- he/she/it is acquiring the rights and/or the Rights Shares in an “offshore transaction” as defined in Regulation S under the US Securities Act;
- he/she/it has not been offered the Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the US Securities Act;
- he/she/it is not acquiring rights or Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such rights or Rights Shares into the United States; and
- he/she/it understands that neither the rights nor the Rights Shares have been or will be registered under the US Securities Act or with any securities regulatory authority of any state, territory, or possession of the United States and the rights or Rights Shares are being distributed and offered outside the United States to persons who are not US persons in reliance on Regulation S under the US Securities Act. Consequently, he/she/it

understands the rights or Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the United States or to US persons, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act.

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

Action to be taken by registered Shareholders

Subscription for all Rights Shares provisionally allotted

For each Qualifying Shareholder, a Provisional Allotment Letter(s) is enclosed with this prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If Qualifying Shareholder(s) wish(es) to exercise his/her/their rights to subscribe for all the Rights Shares provisionally allotted to him/her/them as specified in the Provisional Allotment Letter(s), he/she/it must lodge the Provisional Allotment Letter(s) in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar by not later than 4:00 p.m. on the Latest Acceptance Date. Apart from P. Grand and Kingtech who has undertaken under the Irrevocable Undertakings to subscribe to their full entitlement to the Rights Shares which they are provisionally allotted by paying the Subscription Price in Hong Kong dollar or in US dollars (at the conversion rate of US\$ to HK\$ at 1:7.85), all other remittances by Qualifying Shareholders must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Contel Technology Company Limited — Provisional Allotment Account**" and crossed "**Account Payee Only**". Such payment will constitute acceptance of the terms of the Provisional Allotment Letter(s) and this prospectus and subject to the articles of association of the Company. No receipt will be issued for sums received on application. Share certificate(s) for all fully-paid Rights Share in respect of which the application is accepted will be sent to the Qualifying Shareholders, and in the case of joint Qualifying Shareholders, to the first named Qualifying Shareholder, by ordinary post at their own risk to their registered addresses on Wednesday, 28 December 2022.

It should be noted that unless the Provisional Allotment Letter(s), together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on the Latest Acceptance Date, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been

declined and will be cancelled. The Company may, at its discretion, treat a Provisional Allotment Letter(s) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. **Completion and return of the Provisional Allotment Letter(s) will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the Provisional Allotment Letter(s) and any acceptance of it have been, or will be, duly complied with.** For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to such warranty and representation. Any Provisional Allotment Letter(s) in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If any of the conditions mentioned in the section headed "Conditions of the Rights Issue" in the "Letter from the Board" section of this Prospectus is not fulfilled, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest by means of cheques despatched by ordinary post at the risks of such persons on Wednesday, 28 December 2022.

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

Transfers and "splitting" of nil-paid Rights Shares

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

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the Provisional Allotment Letter(s) to more than one person, the original Provisional Allotment Letter(s) must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split Provisional Allotment Letter(s) required and the number of nil paid Rights Shares to be comprised in each split Provisional Allotment Letter(s) (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original Provisional Allotment Letter(s), by no later than 4:30 p.m. on Monday, 5 December 2022 to the Registrar, Boardroom Share Registrars (HK) Limited, at

2103B, 21/F, 148 Electric Road, North Point, Hong Kong, who will then cancel the original Provisional Allotment Letter(s) and issue new Provisional Allotment Letter(s) in the denominations required, which will be available for collection at the address of the Registrar above after 9:00 a.m. on the second Business Day after the surrender of the original Provisional Allotment Letter(s). This process is commonly known as “splitting” the nil-paid Rights Shares. Having “split” the nil-paid Rights Shares and upon collection of new PAL(s), you can transfer the relevant nil-paid Rights Shares to the relevant transferee(s) following the procedures and steps as stated in the below paragraph.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a Provisional Allotment Letter(s) (or a split Provisional Allotment Letter(s), as the case may be) to another person, he/she/it should complete and sign the “Form of transfer and nomination” (Form B) in the Provisional Allotment Letter(s) and hand the Provisional Allotment Letter(s) to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete, sign and stamp “Registration application form” (Form C) in the Provisional Allotment Letter(s) and lodge the Provisional Allotment Letter(s) intact together with a remittance for the full amount payable on acceptance with the Registrar to effect the transfer by no later than 4:00 p.m. on the Latest Acceptance Date. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares and the transferee(s) of such rights.

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

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

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

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

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

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

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

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

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other requirements of CCASS.

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

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

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

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 6:00 p.m., on Wednesday, 21 December 2022, placees for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- (i) where the Nil Paid Rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (iii) below);
- (ii) where the Nil Paid Rights are, at the time they lapse, registered in the name of HKSCC Nominees, to the beneficial holders (via their respective CCASS participants) as the holder of those Nil Paid Rights in CCASS (unless that person is covered by (iii) below); and
- (iii) if the Rights Issue is extended to Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by any Overseas Shareholders, to those Overseas Shareholders.

For Net Gain (if any) to Non-Qualifying Shareholders, please refer to the paragraph headed “Non-Qualifying Shareholders” in the “Letter from the Board” section of this Prospectus.

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

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

On 14 November 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares. Details of the Placing Arrangement are as follows:

Date: 14 November 2022

Placing Agent: DL Securities (HK) Limited, a licensed corporation to carry out, among others, type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, was appointed as a Placing Agent to place or procure placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period: The period commencing from the second Business Day after the Latest Time for Acceptance, being Thursday, 15 December 2022 and ending at 6:00 p.m. on the sixth Business Day after the Latest Time for Acceptance, being Wednesday, 21 December 2022

Commission and expenses: The Company shall pay to the Placing Agent a placing commission equal to 3.5% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Placing Agent shall be authorised to deduct such commission from the payment to be made by the Placing Agent to the Company at completion of the Placing.

The Company will pay all the out-of-pocket expenses properly and reasonably incurred by the Placing Agent in connection with the Placing, except for fees of legal and other professional advisers incurred by the Placing Agent.

Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe):

The price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) under the placing shall be at least equal to the Subscription Price (exclusive of any brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable).

The final price determination depends on the demand and market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement.

Placees:

The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placee(s) who, and whose ultimate beneficial owner(s), are Independent Third Party(ies) and not beneficial holder(s) of existing issued Shares.

The Placing will not have any implication under the Takeovers Code and no Shareholder will be under an obligation to make a general offer under the Takeovers Code.

The Company will ensure that it complies with public float requirements under Rule 8.08(1)(a) of the Listing Rules at all material times.

Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares:

The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Conditions:

The obligations of the Placing Agent under the Placing Agreement are conditional upon, without limitation, the conditions set out under the paragraph headed "Conditions of the Rights Issue" in the "Letter from the Board" section of this Prospectus.

Termination:

The Placing Arrangement shall end on 4:00 p.m. on Thursday, 22 December 2022 or any other date and time by mutual written agreement between the Placing Agent and the Company. The engagement of the Placing Agent may also be terminated by the Placing Agent in its absolute opinion in case of any force majeure event (as defined in the Placing Agreement) resulting in the Company and the Placing Agent being unable to fulfill their respective duties and responsibilities under the engagement.

Besides, the Placing Agent shall be entitled by notice in writing to the Company to elect to treat the following matters or events as releasing and discharging it from its obligations under the Placing Agreement if at or prior to the Latest Time for Termination:

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement;
- (ii) there is any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of any announcement or circular relating to the Rights Issue; or
- (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate, in material respects, if repeated the Placing Agent(s) shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

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

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Non-Qualifying Shareholders, and given that the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to stringent code of conduct over, among other things, the pricing and allocation of relevant Shares, the Board considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 28 December 2022, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

If the Rights Issue does not become unconditional, refund cheques are expected to be posted on or before Wednesday, 28 December 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

No fractional entitlement to the Rights Shares

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

Application for listing of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company will be in board lots of 5,000 Rights Shares. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 5,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

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

EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

As at the Latest Practicable Date, the Company has 800,000,000 Shares in issue. Set out below is the shareholding structure of the Company, assuming there are no changes in the share capital of the Company on or before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying

Shareholders); and (iii) immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up pursuant to the Irrevocable Undertakings):

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Irrevocable Undertakings and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent)		Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Irrevocable Undertakings and none of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent)	
	Number of Shares		Number of Shares		Number of Shares		Number of Shares	
	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %
<i>Substantial Shareholder</i>								
P. Grand ^(Note 1)	473,390,000	59.17	662,746,000	59.17	662,746,000	59.17	662,746,000	65.40
Kingtech ^(Note 2)	60,000,000	7.50	84,000,000	7.50	84,000,000	7.50	84,000,000	8.29
	533,390,000	66.67	746,746,000	66.67	746,746,000	66.67	746,746,000	73.69
<i>Others</i>								
Other public shareholders	266,610,000	33.33	373,254,000	33.33	266,610,000	23.80	266,610,000	26.31
Places	—	—	—	—	106,644,000	9.52	—	—
	266,610,000	33.33	373,254,000	33.33	373,254,000	33.33	266,610,000	26.31
Total	800,000,000	100.00	1,120,000,000	100.00	1,120,000,000	100.00	1,013,356,000	100.00

Notes:

- (1) These Shares are held by P. Grand a company wholly owned and controlled by Mr. Lam as the beneficial owner.
- (2) These Shares are held by Kingtech a company wholly owned and controlled by which Mrs. Feng Tao (spouse of Mr. Qing an executive Director) as the beneficial owner.
- (3) Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Group is engaged in the sourcing and sale of IC products and the provisions of semiconductor or IC application solutions and value-added services to manufacturers of a wide range of consumer electronic products in the PRC in the following five major product categories: (i) mobile devices and smart charging; (ii) motor control; (iii) radio frequency power equipment; (iv) LED lighting; and (v) sensors and automation.

In order to serve our customers, the Group has to purchase ICs from suppliers in the PRC and overseas. As a result of a general global IC shortage resulting from supply chain bottlenecks caused by the COVID-19 pandemic and geopolitical uncertainties, IC suppliers have recently demanded shorter payment period and in some cases, the payment of cash upfront before delivery. Due to such development, our trade and bills payables (including import loans) turnover days have decreased from 70 days in 2021 to 54 days for the six months to 30 June 2022. Consequently, the Board believes that it is necessary for the Group to retain additional capital to fund its operations (in particular, to provide sufficient capital to mitigate disruption of supply of ICs) under such business environment. The Board considers that it would be appropriate to raise the necessary funds by way of Rights Issue for the reasons described below.

Apart from the Rights Issue, the Board have considered various means of fund raising alternatives, such as equity and debt financing such as by way of bank borrowings, the placing of new Shares or an open offer, before determining to proceed with the Rights Issue. The Company has considered the advantages and disadvantages of the different fund-raising options.

In respect of debt financing, the Board had approached various banks and understands that the Group is unlikely to obtain further banking facilities due to their current assessment of the outlook of the PRC's semiconductor industry. In addition, any further debt financing would result in higher interest burden and higher gearing ratio of the Group which is not beneficial to the Group, particularly during higher interest rate environment the Group currently faces.

The Board determined it would not be desirable to proceed with a placing of new Shares as it does not allow Qualifying Shareholders the right to participate in the fund-raising exercise and their respective shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. In comparison, the Rights Issue would allow Qualifying Shareholders to maintain their respective pro rata shareholding through their participation in the Rights Issue, should they so choose to subscribe to the Rights Issue in full. The Rights Issue also enables Qualifying Shareholders (i) to increase their interests in Shares of the Company by acquiring additional rights entitlement in the open market (subject to availability); or (ii) to reduce their interests in the Shares of the Company by disposing of their rights entitlements in the open market (subject to market demand). More importantly, the Board

believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for business development. As an open offer does not involve any trading of rights entitlement, rights issue was preferred.

As the Rights Issue will be on a non-underwritten basis, the actual amount of net proceeds that may be raised from the Rights Issue cannot be ascertained as at the date of this announcement. There are no minimum amounts of proceeds that the Company intends to raise. Nevertheless, in the event that there is any shortfall in net proceeds from the Rights Issue, the Company may finance such shortfall for repayment of loans and borrowings by internal resources, working capital and/or other means of financing as and when appropriate. Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

PREVIOUS FUND RAISING OF THE COMPANY

The Company has not carried on any equity fund raising activity in the 12 months immediately preceding the Latest Practicable Date.

PROPOSED USE OF PROCEEDS

Depending on the level of subscription by Qualifying Shareholders, the estimated net proceeds of the Rights Issue (assuming no changes in share capital of the Company on or before the Record Date and after deducting estimated professional fees and other costs and expenses related to the Rights Issue) will range from approximately HK\$12.6 million to approximately HK\$19.2 million, of which (i) approximately 90% of the net proceeds is intended to be utilised to finance payment for the Group's purchases of ICs to support its business; and (ii) approximately 10% of the net proceeds is intended to be used as general working capital. In the event that there is an under-subscription of the Rights Issue, net proceeds of the Rights Issue will be utilized in the same proportion as mentioned above.

The Directors consider that it is appropriate to propose the Rights Issue as a means of fund raising to finance purchases of ICs to support its business under prevailing business environment and for general working capital of the Group and that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable under current market conditions.

The estimated expenses of the Rights Issue (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) are estimated to be approximately HK\$0.8 million and will be payable by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares are expected to be approximately HK\$0.060.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue may not become unconditional and will not proceed.

Any Shareholder dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares and are recommended to consult their professional advisers.

As the Rights Issue will proceed on a non-underwritten basis, subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its professional adviser(s).

INFORMATION ON P. GRAND AND KINGTECH

P. Grand is an investment holding company incorporated in the BVI with limited liability and is legally and beneficially owned by Mr. Lam, the Chairman of the Company and an executive Director, and was a controlling shareholder of the Company interested in approximately 59.17% of the issued share capital of the Company as at the Latest Practicable Date.

Kingtech is an investment holding company incorporated in the BVI with limited liability and is legally and beneficially owned by Ms. Feng Tao (the spouse of Mr. Qing, an executive Director) and was a controlling shareholder of the Company interested in 7.5% of the issued share capital of the Company as at the Latest Practicable Date.

P. Grand and Kingtech are parties acting in concert for the purpose of the Takeovers Code.

LISTING RULES IMPLICATIONS

Since (i) the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement or the dealing of shares of which commenced within such 12-month period; and (ii) the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to Shareholders' approval under Rule 7.19A(1) of the Listing Rules.

The Rights Issue would not result in a theoretical dilution effect (as defined under Note 1 to Rule 7.27B of the Listing Rules) of 25% or more, and is therefore not restricted pursuant to Rule 7.27B of the Listing Rules.

PROFESSIONAL TAX ADVICE RECOMMENDED

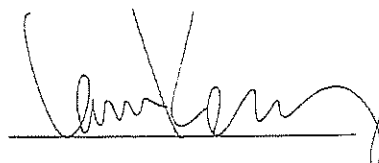
Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares.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

ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of the Board
Contel Technology Company Limited



Chairman and Chief Executive Officer