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Abundance Development Limited

Synergy Group Holdings International Limited

滙能集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1539)

JOINT ANNOUNCEMENT

- (1) CONNECTED TRANSACTION –
ISSUE OF SUBSCRIPTION SHARES
TO A CONNECTED PERSON;
(2) CONNECTED TRANSACTIONS & SPECIAL DEAL –
ISSUE OF CONVERSION SHARES
TO CONNECTED PERSONS;
(3) ISSUE OF SETTLEMENT SHARES;
AND
(4) APPLICATION FOR WHITEWASH WAIVER**

**Financial Adviser to Abundance
Development Limited**

VEDA | CAPITAL
智 略 資 本

**Financial Adviser to Synergy Group
Holdings International Limited**

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Reference is made to the announcements of the Company dated, inter alia, 12 August 2020, 6 November 2020 and 21 June 2021 and the annual results announcement of the Company for the year ended 31 March 2021. The Company has received a number of statutory demands from its debtors and the Company is demanded to repay overdue indebtedness, otherwise the Company may be subject to bankruptcy. The Directors have been taking proactive steps to discuss and negotiate for an arrangement to restructure the repayment terms of the overdue borrowings and also seeking fund raising sources. The Company is pleased to announce its intention to enter into the following agreements for the purposes of, inter alia, solving the overall financial difficulties of the Group and avoiding bankruptcy.

THE SUBSCRIPTION AGREEMENT

On 15 September 2021 (after trading hours), being the date of this announcement, the Company proposed to enter into the Subscription Agreement with the Subscriber, pursuant to which the Company shall allot and issue, and the Subscriber shall subscribe for 1,100,000,000 Shares at the Subscription Price of HK\$0.1 per Subscription Share.

The 1,100,000,000 Subscription Shares represent (i) approximately 165.96% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 46.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares.

The gross proceeds from the Subscription are expected to be HK\$110,000,000. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$105,000,000 and the net Subscription Price per Subscription Share will be approximately HK\$0.095. The Company intends to mainly use the net proceeds from the Subscription for repayment of the borrowings of the Group.

THE CONNECTED CONVERSION AGREEMENTS

As at the date of this announcement, the Group has outstanding balances of debts owed to Mr. Wong and Mpplication in the amount of approximately HK\$9,651,020 and HK\$1,092,000, respectively, and shareholder's loans owed to Mr. Lam in the amount of approximately HK\$2,015,520. On 15 September 2021 (after trading hours), the Company proposed to enter into the First Connected Conversion Agreement with Mr. Wong and Mpplication and the Second Connected Conversion Agreement with Mr. Lam, pursuant to which the Company shall allot and issue 96,510,000, 10,080,000 and 20,154,000 Shares to Mr. Wong, Mpplication and Mr. Lam, respectively, at the Issue Price of HK\$0.1 per Conversion Share in settlement of the corresponding amounts of outstanding debts due to Mr. Wong, Mpplication and Mr. Lam.

A total of 126,744,000 Conversion Shares represent (i) approximately 19.12% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares.

THE SETTLEMENT AGREEMENTS

As at the date of this announcement, the Group has an aggregate outstanding balance of debts owed to the Lenders of approximately HK\$47.89 million. On 15 September 2021 (after trading hours), the Company proposed to enter into individual Settlement Agreements with each of the Lenders, pursuant to which the Company shall allot and issue a total of 474,196,000 Shares at the Issue Price of HK\$0.1 per Settlement Share for the purpose of settling the corresponding amounts of outstanding debts owed to the Lenders as at the date of this announcement.

A total of 474,196,000 Settlement Shares represent (i) approximately 71.54% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 20.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares.

The Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription Shares, the Conversion Shares and the Settlement Shares will be allotted and issued pursuant to the Specific Mandate.

As at the date of this announcement: (i) Mr. Wong and Mr. Lam are executive Directors and (ii) the Subscriber and Mpplication are beneficially wholly owned by Mr. Wong. Therefore, each of the Subscriber, Mr. Wong, Mpplication and Mr. Lam is a connected person of the Company pursuant to the Listing Rules. Accordingly, each of the Subscription Agreement, the Connected Conversion Agreements, and the transactions contemplated thereunder constitutes non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and Independent Shareholders' approval requirements at the EGM by way of poll.

The Settlement Shares will be allotted and issued pursuant to the Specific Mandate. The Lenders and their respective ultimate beneficial owners are Independent Third Parties and are not Shareholders. Each of the Lenders also confirmed in writing that each of them and their respective associates are not interested in any securities of the Company. However, given that the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional, the Subscriber, Mr. Wong, Mpplication and Mr. Lam are deemed to be interested in the Settlement Agreements and the transactions contemplated thereunder. As a result, the Settlement, the Specific Mandate and the transactions contemplated thereunder are subject to the announcement, reporting and Independent Shareholders' approval requirements at the EGM by way of poll.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscription, the Connected Conversion and the Settlement will result in a theoretical dilution effect of approximately 55.42%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company considers there are exceptional circumstances for the Company, details of which will be contained in the relevant circular. As a result, the Company has made an application to the Stock Exchange for the waiver from the strict compliance of Rule 7.27B of the Listing Rules in relation to the issue and allotment of the Subscription Shares, the Conversion Shares and the Settlement Shares. The Stock Exchange has indicated that based on the information contained herein, the Company can proceed with the Subscription, the Connected Conversion and the Settlement.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Special Deal Consent

Mr. Lam is a Shareholder and is a party acting in concert with the Subscriber. The transaction contemplated under the Second Connected Conversion Agreement represents a favourable condition that is not extended to all Shareholders, which would constitute a special deal under Rule 25 of the Takeovers Code and require the consent of the Executive. Such consent, if granted, will be subject to (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deal are fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole; and (b) the approval of the Special Deal at the EGM by the Independent Shareholders by way of poll.

The Company will make an application to the Executive for his consent under Rule 25 of the Takeovers Code in relation to the Special Deal.

Application for Whitewash Waiver

As at the date of this announcement, the Subscriber and parties acting in concert with it are interested in an aggregate of 85,467,204 Shares, representing approximately 12.89% of the total issued share capital of the Company. The Subscription Completion, the Connected Conversion Completion and the Settlement Completion are expected to be completed simultaneously upon which the shareholding of the Subscriber and parties acting in concert with it (including Mr. Wong, Mpplication, Mr. Lam and Ms. Yeung Betty) will increase from approximately 12.89% to a maximum of 55.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares (assuming there will be no other change in the number of issued Shares between the date of this announcement and the date of the Connected Issue Completion and the Settlement Completion, save for the issue and allotment of the Subscription Shares, the Conversion Shares and the Settlement Shares), thereby triggering an obligation on the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive.

An application will be made to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by at least 75% of the Independent Shareholders by way of poll at the EGM and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions of the Whitewash Waiver (i.e. the Subscription, the Connected Conversion and the Specific Mandate). As obtaining the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements and such condition is not waivable, none of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements will proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders at the EGM according to the requirements set out hereinabove.

As at the date of this announcement, the Company does not believe that the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder including the granting of the Specific Mandate, the Whitewash Waiver and the Special Deal give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder including the granting of the Specific Mandate, the Whitewash Waiver and the Special Deal do not comply with other applicable rules and regulations.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Subscriber and Application are beneficially wholly owned by Mr. Wong and Mr. Lam. Mr. Wong is a party under the First Connected Conversion Agreement. Mr. Lam is a party acting in concert with the Subscriber and is a party under the Second Connected Conversion Agreement. In addition, the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional. As a result, Mr. Wong and Mr. Lam are interested in the Subscription, the Connected Conversion, the Settlement, the Whitewash Waiver and the Special Deal. Both Mr. Wong and Mr. Lam abstained from voting on the Board resolutions in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal.

Given the Board only comprises of two executive Directors (being Mr. Wong and Mr. Lam, who have both abstained from voting on the said Board resolutions), and three independent non-executive Directors, the Board will defer its views on the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements to the Independent Board Committee. Based on the available information, the independent non-executive Directors have formed preliminary opinions in relation to the Subscription, the Connected Conversion and the Settlement, and the Independent Board Committee will, after receiving and considering the advice of the Independent Financial Adviser, reach an opinion and give its recommendation to the Independent Shareholders on whether the terms of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to how to vote on the relevant proposed resolution(s) at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate, the Whitewash Waiver and the Special Deal. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made in accordance with Rule 2.1 of the Takeovers Code.

GENERAL

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements, and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal.

A circular containing (i) details of the Connected Issue, the Whitewash Waiver and the Special Deal; (ii) details of the Settlement; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the Specific Mandate, the Whitewash Waiver and the Special Deal; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the Specific Mandate, the Whitewash Waiver and the Special Deal; and (v) a notice of the EGM with the form of proxy are expected to be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

Shareholders and potential investors should note that the Subscription Completion, the Connected Conversion Completion and the Settlement Completion are subject to fulfilment of certain conditions precedent under the respective agreements. As the transactions may or may not become unconditional or be completed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among other things, be subject to the approval by at least 75% of the Independent Shareholders by way of poll at the EGM and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions of the Whitewash Waiver (i.e. the Connected Issue and the Specific Mandate).

THE SUBSCRIPTION AGREEMENT

On 15 September 2021 (after trading hours), the Company proposed to enter into the Subscription Agreement with the Subscriber, pursuant to which the Company shall allot and issue, and the Subscriber shall subscribe for 1,100,000,000 Shares, at the Subscription Price of HK\$0.1 per Subscription Share. As at the date of this announcement, major terms of the Subscription Agreement have been finalised but the Subscription Agreement has not been executed. The Board will defer its views on the Subscription Agreement to the Independent Board Committee. The Independent Board Committee will, after receiving and considering the advice of the Independent Financial Adviser, reach an opinion and give its recommendation to the Independent Shareholders on whether the terms of the Subscription Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to how to vote on the relevant proposed resolution(s) at the EGM.

Set out below are the principal terms of the Subscription Agreement:

Parties:

- (i) the Company, being the issuer; and
- (ii) Abundance Development Limited, being the Subscriber.

For further details about the Subscriber, please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPPLICATION AND THE LENDERS” in this announcement.

The Subscription Price:

The Subscription Price is HK\$0.1 per Subscription Share.

For further details about the Subscription Price, please refer to the section headed “THE SUBSCRIPTION PRICE AND THE ISSUE PRICE” in this announcement.

The Subscription Shares:

Subject to fulfillment of the conditions precedent of the Subscription Agreement set out below, the Subscriber shall subscribe 1,100,000,000 Subscription Shares.

The 1,100,000,000 Subscription Shares represent (i) approximately 165.96% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 46.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares. The consideration of the Subscription Shares is HK\$110,000,000.

The Subscriber undertakes that, unless in compliance with the requirements of the Listing Rules, it shall not, in the period commencing on the date of the Subscription Completion and ending on the date which is six months from the date of the Subscription Completion, dispose of, or enter into any agreement to dispose of, any of the Subscription Shares.

Conditions precedent to the Subscription Agreement:

The Subscription Completion is conditional upon:

- (a) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Subscription Shares and the Whitewash Waiver;
- (b) the Stock Exchange granting or agreeing to grant a listing of, and permission to deal in, the Subscription Shares, the Conversion Shares and the Settlement Shares to be issued (and such listing and permission not being subsequently revoked prior to the Subscription Completion);
- (c) the Executive granting the Whitewash Waiver in respect of the transactions contemplated under the Subscription Agreement and the Connected Conversion Agreements;
- (d) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Connected Conversion Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Conversion Shares, the Whitewash Waiver and the Special Deal;

- (e) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Settlement Shares;
- (f) the Special Deal having been consented to by the Executive and the conditions attached (if any) to such consent having been satisfied;
- (g) the Company not having received written notice from the Stock Exchange indicating that the listing of the Shares on the Stock Exchange would be suspended, revoked or withdrawn; and
- (h) the representations, warranties and undertakings of the Company and the Subscriber in the Subscription Agreement remain true, accurate and complete in all material respects immediately before the satisfaction of the last aforementioned conditions precedent.

Save for condition precedent (h) as stated above, which can be waived by the parties to the Subscription Agreement, none of the above conditions precedent can be waived by any party to the Subscription Agreement. If any of the conditions precedent (a) to (g) as stated above are not satisfied, and in the case of condition precedent (h) as stated above, not satisfied or waived by the parties to the Subscription Agreement, by the Long Stop Date, the Subscription Agreement shall be terminated forthwith.

Subscription Completion:

The Subscription Completion shall take place on the third Business Day after the date on which all the conditions precedent to the Subscription Agreement set out above have been satisfied (or waived, as the case may be). In the event that the conditions precedent are not satisfied (or waived, as the case may be) by the Long Stop Date, the Subscription Agreement shall be terminated forthwith.

The Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional and the Subscription Completion, the Connected Conversion Completion and the Settlement Completion shall take place simultaneously.

Ranking of the Subscription Shares:

The Subscription Shares shall rank pari passu in all respects inter se and with all existing Shares in issue as at the date of the Subscription Completion, including all rights as to dividends, voting and return of capital.

Application for listing:

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

THE CONNECTED CONVERSION AGREEMENTS

As at the date of this announcement, the Group has outstanding debts owed to Mr. Wong and Mpplication in the amount of approximately HK\$9,651,020 and HK\$1,092,000, respectively, and shareholder's loans owed to Mr. Lam in the amount of approximately HK\$2,015,520. On 15 September 2021 (after trading hours), the Company proposed to enter into the First Connected Conversion Agreement with Mr. Wong and Mpplication and the Second Connected Conversion Agreement with Mr. Lam, substantially on the same terms, pursuant to which the Company proposed to allot and issue 96,510,000, 10,080,000 and 20,154,000 Conversion Shares to Mr. Wong, Mpplication and Mr. Lam, respectively, and Mr. Wong, Mpplication and Mr. Lam shall subscribe for 96,510,000, 10,080,000 and 20,154,000 Conversion Shares, respectively, at the Issue Price in settlement of the corresponding amounts of outstanding debts due to Mr. Wong, Mpplication and Mr. Lam, respectively. The Company shall allot and issue an aggregate of 126,744,000 Conversion Shares upon Connected Conversion Completion. As at the date of this announcement, major terms of the Connected Conversion Agreements have been finalised but the Connected Conversion Agreements have not been executed. The Board will defer its views on the Connected Conversion Agreements to the Independent Board Committee. The Independent Board Committee will, after receiving and considering the advice of the Independent Financial Adviser, reach an opinion and give its recommendation to the Independent Shareholders on whether the terms of the Connected Conversion Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to how to vote on the relevant proposed resolution(s) at the EGM.

The indebtedness due from the Company to Mr. Wong that subject to the Connected Conversion was accumulated from his respective outstanding salaries and personal loans to the Company while the indebtedness due from the Company to Mpplication that subject to the Connected Conversion was accumulated from overdue service fee payments of the enterprise resources system of the Company charging at HK\$28,000 per month. The indebtedness due from the Company to Mr. Lam that subject to the Connected Conversion was accumulated from his personal loans to the Company. They are all interest-free and unsecured. There is no fixed term of repayment and was conducted in compliance with Rule 14A.76 and Rule 14A.90 of the Listing Rules, respectively.

Upon Connected Conversion Completion, the indebtedness that are subject to the Connected Conversion and recorded as at the date of this announcement between Mr. Wong, Mpplication and Mr. Lam as debtors and the Company as borrower shall be settled, such that the Company shall be discharged and released from all obligations for repayment of such outstanding indebtedness hereunder.

Set out below are the principal terms of the Connected Conversion Agreements:

Parties under the First Connected Conversion Agreement:

- (i) the Company, being the issuer;
- (ii) Mr. Wong, being the first subscriber; and
- (iii) Mpplication, being the second subscriber.

For further details about Mr. Wong and Mpplication, please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPPLICATION AND THE LENDERS” in this announcement.

Parties under the Second Connected Conversion Agreement:

- (i) the Company, being the issuer; and
- (ii) Mr. Lam, being the subscriber.

For further details about Mr. Lam, please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPPLICATION AND THE LENDERS” in this announcement.

The Issue Price:

The Issue Price is HK\$0.1 per Conversion Share.

For further details about the Issue Price, please refer to the section headed “THE SUBSCRIPTION PRICE AND THE ISSUE PRICE” in this announcement.

The Conversion Shares:

Subject to fulfillment of the conditions precedent of the Connected Conversion Agreements set out below, the Company shall allot and issue an aggregate of 126,744,000 Conversion Shares, which comprises 96,510,000, 10,080,000 and 20,154,000 Conversion Shares to be allotted and issued to Mr. Wong, Mpplication and Mr. Lam, respectively, representing (i) approximately 14.56%, 1.52% and 3.04% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.08%, 0.43% and 0.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Connected Conversion Shares and the Settlement Shares, respectively.

Each of Mr. Wong, Mpplication and Mr. Lam undertakes that, unless in compliance with the requirements of the Listing Rules, each of them shall not, in the period commencing on the date of the Connected Conversion Completion and ending on the date which is six months from the date of the Connected Conversion Completion, dispose of, or enter into any agreement to dispose of, any of the Conversion Shares.

Conditions precedent to the Connected Conversion Agreements:

The Connected Conversion Completion is conditional upon:

- (a) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Connected Conversion Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Conversion Shares, the Whitewash Waiver and the Special Deal;
- (b) the Stock Exchange granting or agreeing to grant a listing of, and permission to deal in, the Subscription Shares, the Conversion Shares and the Settlement Shares to be issued (and such listing and permission not being subsequently revoked prior to the Connected Conversion Completion);

- (c) the Executive granting the Whitewash Waiver in respect of the transactions contemplated under the Connected Conversion Agreements and the Subscription Agreement;
- (d) the Special Deal having been consented to by the Executive and the conditions attached (if any) to such consent having been satisfied;
- (e) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Subscription Shares and the Whitewash Waiver;
- (f) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Settlement Shares;
- (g) the Company not having received written notice from the Stock Exchange indicating that the listing of the Shares on the Stock Exchange would be suspended, revoked or withdrawn; and
- (h) the representations, warranties and undertakings of the Company, Mr. Wong, Mpplication and Mr. Lam in the Connected Conversion Agreements remain true, accurate and complete in all material respects immediately before the satisfaction of the last aforementioned conditions precedent.

Save for condition precedent (h) as stated above, which can be waived by the parties under the Connected Conversion Agreements, none of the above conditions precedent can be waived by any party to the Connected Conversion Agreements. If any of the conditions precedent (a) to (g) as stated above are not satisfied, and in the case of condition precedent (h) as stated above not satisfied or waived by the parties to the Connected Conversion Agreements, by the Long Stop Date, the Connected Conversion Agreements shall be terminated forthwith.

Connected Conversion Completion:

The Connected Conversion Completion shall take place on the third Business Day after the date on which all the conditions precedent to the Connected Conversion Agreements set out above have been satisfied or waived (as the case may be). In the event that the conditions precedent are not satisfied (or waived, as the case may be) by the Long Stop Date, the Connected Conversion Agreements shall be terminated forthwith.

The Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional and the Subscription Completion, the Connected Conversion Completion and the Settlement Completion shall take place simultaneously.

Ranking of the Conversion Shares:

The Conversion Shares shall rank pari passu in all respects inter se and with all existing Shares in issue as at the date of the Conversion Completion, including all rights as to dividends, voting and return of capital.

Application for listing:

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

THE SETTLEMENT AGREEMENTS

On 15 September 2021 (after trading hours), the Company proposed to enter into individual Settlement Agreements with each of the Lenders, substantially on the same terms. Pursuant to the Settlement Agreements, the Company shall allot and issue 238,908,000, 22,778,000, 105,370,000, 12,068,000, 50,000,000 and 45,072,000 Settlement Shares to First Fidelity Capital (International) Limited, Ms. Yu Sze Wan Gisela, Red Hill Investment (BVI) Limited, Mr. Tong Man Chun, Kedah Company Limited and Ms. Wu Chit Wai, respectively, and First Fidelity Capital (International) Limited, Ms. Yu Sze Wan Gisela, Red Hill Investment (BVI) Limited, Mr. Tong Man Chun, Kedah Company Limited and Ms. Wu Chit Wai, shall subscribe for 238,908,000, 22,778,000, 105,370,000, 12,068,000, 50,000,000 and 45,072,000 Settlement Shares, respectively. As at the date of this announcement, major terms of the Settlement Agreements have been finalised but the Settlement Agreements have not been executed. The Board will defer its views on the Settlement Agreements to the Independent Board Committee. The Independent Board Committee will, after receiving and considering the advice of the Independent Financial Adviser, reach an opinion and give its recommendation to the Independent Shareholders on whether the terms of the Settlement Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to how to vote on the relevant proposed resolution(s) at the EGM.

Details of the allotment and issue of the Settlement Shares are as follow:

Name of the Lenders	Amount of indebtedness owed to the Lenders as at the date of this announcement subject to the Settlement Agreements (HK\$)	Due date of the loans	Carrying interest of the loans	Number of Settlement Shares to be allotted and issued to the Lenders	Approximate shareholding held by the Lenders upon the issue of the Subscription Shares, the Conversion Shares and the Settlement Shares	Total issue price (HK\$) of the Settlement Shares
1. First Fidelity Capital (International) Limited	24,075,136.98 (aggregate of two loans) ⁽¹⁾	6 January 2022 and 8 May 2022, respectively	2.5% per annum	238,908,000	10.11%	23,890,800
2. Ms. Yu Sze Wan Gisela	2,343,014.4 ⁽²⁾	17 December 2021, but is cross defaulted	10% per annum	22,778,000	0.96%	2,277,800
3. Red Hill Investment BVI Ltd	10,537,063.13 ⁽³⁾	Part of the loans has been due	Nil	105,370,000	4.46%	10,537,000
4. Mr. Tong Man Chun	1,206,816.6 ⁽⁴⁾	Overdue	Nil	12,068,000	0.51%	1,206,800
5. Kedah Company Limited	5,000,000 ⁽⁵⁾	Overdue	12%	50,000,000	2.11%	5,000,000
6. Ms. Wu Chit Wai	4,727,465.76 ⁽⁶⁾	Overdue	15%	45,072,000	1.91%	4,507,200
Aggregate Amount:	<u>47,889,496.87</u>			<u>474,196,000</u>	<u>20.06%</u>	<u>47,419,600</u>

Notes:

- (1) The indebtedness due from the Company to First Fidelity Capital (International) Limited is the aggregate of the loans under two loan agreements dated 7 January 2019 and 9 May 2019 with a term of one year from the respective dates of the loan agreements. They were extended twice and due on 6 January 2022 and 8 May 2022, respectively.
- (2) Reference is made to the announcement of the Company dated 18 November 2019. Ms. Yu Sze Wan Gisela is the beneficial holder of a corporate bond issued by the Company on 17 December 2019. The relevant bond is originally due on 17 December 2021 but is considered due and payable by virtual of cross default.

- (3) All of the amount due from the Company to Red Hill Investment BVI Limited arose from the purchase of equipment by the Company from an Independent Third Party between 2017 and 2019 where majority of the amount has been overdue.
- (4) Mr. Tong Man Chun is a former employee of a subsidiary of the Company. The amount due from the Company to Mr. Tong Man Chun represents the unpaid salaries of Mr. Tong Man Chun. Mr. Tong Man Chun ceased to be an employee of the Company on 18 September 2020.
- (5) The indebtedness due from the Company to Kedah Company Limited is the aggregate of the loans under two loan agreements dated 3 January 2020 and 14 January 2020 with the principal sum of approximately HK\$12.3 million, which was due and payable on 4 May 2021 and among which HK\$5 million is subject to the relevant Settlement Agreement and shall be set-off upon the Settlement Completion while the remaining balance shall be repaid by the Company in cash.
- (6) Pursuant to a loan agreement dated 23 November 2020 between Ms. Wu Chit Wai as lender and the Company as borrower, Ms. Wu Chit Wai granted a loan to the Company in the principal sum of HK\$4,500,000 for a period of six months.

Upon Settlement Completion, all of the indebtedness subject to the Settlement Agreements between the Lenders as debtors and the Company as borrower or guarantor would be settled, such that the Company will be discharged and released from all obligations for repayment of the outstanding indebtedness hereunder upon Settlement Completion.

Notwithstanding the above, any remaining balances and interests associated with the said indebtedness shall continue to accrue and the Company expects to fully repay those sums in cash upon Settlement Completion.

For further details about the Lenders, please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPPLICATION AND THE LENDERS” in this announcement.

Set out below are the principal terms of the Settlement Agreements:

The Issue Price:

The Issue Price is HK\$0.1 per Settlement Share.

For further details about the Issue Price, please refer to the section headed “THE SUBSCRIPTION PRICE AND THE ISSUE PRICE” in this announcement.

The Settlement Shares:

Subject to fulfillment of the conditions precedent of the Settlement Agreements set out below, the Company shall allot and issue an aggregate of 474,196,000 Settlement Shares.

The 474,196,000 Settlement Shares represent (i) approximately 71.54% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 20.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares.

Conditions precedent to the Settlement Agreements:

The Settlement Completion is conditional upon:

- (a) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Settlement Shares under the Settlement Agreements;
- (b) the Stock Exchange granting or agreeing to grant a listing of, and permission to deal in, the Subscription Shares, the Conversion Shares and the Settlement Shares to be issued (and such listing and permission not being subsequently revoked prior to Settlement Completion);
- (c) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Subscription Shares and the Whitewash Waiver;
- (d) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Connected Conversion Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Conversion Shares, the Whitewash Waiver and the Special Deal;
- (e) the Executive granting the Whitewash Waiver in respect of the transactions contemplated under the Subscription Agreement and the Connected Conversion Agreements;

- (f) the Special Deal having been consented to by the Executive and the conditions attached (if any) to such consent having been satisfied;
- (g) the Company not having received written notice from the Stock Exchange indicating that the listing of the Shares on the Stock Exchange would be suspended, revoked or withdrawn; and
- (h) the representations, warranties and undertakings of the Company and the Lenders in the Settlement Agreements remain true, accurate and complete in all material respects immediately before the satisfaction of the last aforementioned conditions precedent.

Save for condition precedent (h) as stated above, which can be waived by the parties to the Settlement Agreements, none of the above conditions precedent can be waived by any party to the Settlement Agreements. If any of the conditions precedent (a) to (g) as stated above are not satisfied, and in the case of condition precedent (h) as stated above not satisfied or waived by the parties to the Settlement Agreements, by the Long Stop Date, the Settlement Agreements shall be terminated forthwith.

Settlement Completion:

The Settlement Completion shall take place on the third Business Day after the date on which all the conditions precedent to the Settlement Agreements set out above have been satisfied or waived (as the case may be). In the event that the conditions precedent are not satisfied (or waived, as the case may be) by the Long Stop Date, the Settlement Agreements shall be terminated forthwith.

The Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional and the Subscription Completion, the Connected Conversion Completion and the Settlement Completion shall take place simultaneously.

Ranking of the Settlement Shares:

The Settlement Shares shall rank pari passu in all respects inter se and with all existing Shares in issue as at the date of the Settlement Completion, including all rights as to dividends, voting and return of capital.

Application for listing:

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Settlement Shares.

THE SUBSCRIPTION PRICE AND THE ISSUE PRICE

The Subscription Price is HK\$0.1 per Subscription Share, which is equal to the Issue Price per Conversion Share and Settlement Share, respectively, which represents:

- (i) a discount of approximately 81.48% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 78.63% to the average closing price of approximately HK\$0.4680 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 76.36% to the average closing price of approximately HK\$0.4230 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 75.80% to the average closing price of approximately HK\$0.4132 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 6.27% to the audited net asset value attributable to owners of the Company as at 31 March 2021 of approximately HK\$0.0941 per Share.

The Subscription Price and the Issue Price were arrived at after arm's length negotiations between the Company, Mr. Wong (who also negotiated on behalf of the Subscriber and Mpplication as their sole beneficial owner), Mr. Lam and the Lenders with reference to the estimated unaudited net asset value per Share as at 31 March 2021 and the average market trading prices of Shares, from 1 January 2021 to 15 April 2021, preceding the time of negotiation.

INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, APPLICATION AND THE LENDERS

The Company is an investment holding company. The Group is principally engaged in the provision of leasing services of energy saving systems, consultancy service and artificial intelligence technology services, and trading of energy saving products.

The Subscriber is a limited liability company incorporated in the BVI and is beneficially wholly owned by Mr. Wong. Its principal business is investment holding. As at the date of this announcement, the Subscriber and parties acting in concert with it are interested in an aggregate of 85,467,204 Shares, representing approximately 12.89% of the total issued share capital of the Company. Upon Connected Issue Completion, the Subscriber and their associates and parties acting in concert with them will be interested in a total of 1,312,211,204 Shares, representing approximately 55.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares (assuming there will be no other change in the number of issued Shares between the date of this announcement and the date of the Connected Issue Completion and the Settlement Completion, save for the issue and allotment of the Subscription Shares, the Conversion Shares and the Settlement Shares) and hence the Subscriber and Mr. Wong will become controlling Shareholders (as defined under the Listing Rules).

For the purpose of financing the Subscription, the Subscriber has obtained a loan from the Financier for a term of two years from drawdown at an interest rate of 18% per annum. All the Shares owned by the Subscriber and Mr. Wong, including any existing owned Shares, the Subscription Shares and the Conversion Shares will be served as collateral against the financing, where in aggregate, represents no less than 52% of the issued share capital of the Company from time to time. Mr. Wong is also acting as the guarantor in favour of the Financier against the obligation of the Subscriber under such financing. The Financier and its respective ultimate beneficial owners are Independent Third Parties and are not Shareholders. The Financier is presumed to be acting in concert with the Subscriber under class (9) presumption under the definition of “acting in concert” in the Takeovers Code.

Mr. Wong is the chairman, chief executive officer and an executive Director.

Mr. Lam is an executive Director.

Mr. Wong and Mr. Lam are parties acting in concert, they and their parties acting in concert with them (including the Subscriber, Mpplication and Ms. Yeung Betty) are interested in 85,467,204 Shares as at the date of this announcement. Each of Mr. Wong and Mr. Lam is interested in 5,500,000 Share Options.

Mpplication is a limited liability company incorporated in Hong Kong and is beneficially wholly owned by Mr. Wong. It is a professional information technology service provider focusing on customizing enterprise resources system design and management. Its clientele spans across multinational banks and well-established enterprises.

First Fidelity Capital (International) Limited is a limited liability company incorporated in Hong Kong and is a licensed corporation carrying out type 1, 4 and 9 regulated activities under the SFO.

Ms. Yu Sze Wan Gisela is the beneficial holder of a corporate bond issued by the Company on 17 December 2019, and the said corporate bond is the subject of part of the Settlement.

Red Hill Investment BVI Limited is a limited liability company incorporated in the BVI. Its principal business is investment holding.

Mr. Tong Man Chun is a former employee of the Company. He ceased to be an employee of the Company on 18 September 2020.

Kedah Company Limited is a company incorporated in Hong Kong with limited liability.

Ms. Wu Chit Wai is the lender of a loan to the Company dated 23 November 2020.

The Lenders and its respective ultimate beneficial owners are Independent Third Parties and are not Shareholders. Each of the Lenders also confirmed in writing that each of them and their respective associates are not interested in any securities of the Company and are not acting in concert with the Subscriber.

POSSIBLE DEBT FINANCING ARRANGEMENT

On 15 September 2021 (after trading hours), the Company, as borrower, entered into the Loan MOU with the Loan Lender, as lender, in respect of the Potential Loan, which, if materialized, may represent additional debt financing of the Company.

From the date of the signing of the Loan MOU, the Loan Lender shall be entitled to carry out due diligence review (the “**Loan Due Diligence**”) on the business, financial, legal, structural and other aspects in relation to the Group.

The Loan MOU is not legally binding in relation to the granting of any facility to the Group. From the date of the signing of the Loan MOU to a date not later than the Long Stop Date, the Company and the Loan Lender shall negotiate in good faith for the details of the Potential Loan with a view to reach a legally binding formal agreement after taking into account of the results from the Loan Due Diligence.

Set out below are the principal terms of the Loan MOU:

1. Potential Loan : A secured loan facility in an amount of up to HK\$40 million.

The Potential Loan has a term of two years from drawdown and shall be available for drawdown within six months from the signing of the Facility Agreement, and in no event shall the availability period of the drawdown be extended beyond 30 November 2021 (subject to mutually agreed extension). Subject to the details of Voluntary Repayment, Mandatory Repayment and Acceleration (see below), the Potential Loan shall be repaid in full on the second anniversary of the date of drawdown (the “**Maturity Date**”).

2. Interests : The Potential Loan would have an interest of 12.5% per annum, calculated on the basis of the actual number of days elapsed and a 365 days per year, and shall be payable semi-annually in arrears commencing on the date of drawdown and ending on the Maturity Date.

In the Events of Default (see below), the interest would be 25.0% per annum compounded daily on all outstanding amounts due from the date of the occurrence of an Events of Default until repayment in full.

3. Voluntary Repayment : The Company may repay all or any part of the Potential Loan at any time in whole or in part (where if the Company repays the Potential Loan in part, the amount of partial repayment shall be no less than HK\$10 million and shall be in integral multiples of HK\$5 million) with prior written notice of not less than 15 Business Days (see below).
4. Mandatory Repayment : Save and except explicitly waived by the Loan Lender in writing, the Potential Loan shall be repaid immediately in full upon occurrence of any of the following events (each a “**Mandatory Repayment Event**”):
- illegality in relation to the Potential Loan;
 - any Change-of-Control Event taken place (see below);
 - delisting of the Company from the Stock Exchange (the “**Delisting Event**”); and
 - suspension of trading in the Shares for seven consecutive trading days on the Stock Exchange (the “**Suspension Event**”).
5. Make-Whole Payment: If the Company repays the Potential Loan in whole or in part (whether pursuant to a Voluntary Repayment, mandatory repayment or as a result of Acceleration (see below) of the Potential Loan) during the period commencing on and including the date of drawdown of the Potential Loan and ending on and including the date falling six months from the date of drawdown of the Potential Loan (the “**Make-Whole Period**”), on such repayment date, the Company shall pay to the Loan Lender a make whole amount equivalent to all accrued and unpaid interests and fees of the repayment amount, accruing from the repayment date to the last date of the Make-Whole Period as if the repayment was made on the last date of the Make-Whole Period.

6. Guarantors : Mr. Wong and the Subscriber would respectively be acting as personal guarantor (the “**Personal Guarantor**”) and corporate guarantor (the “**Corporate Guarantor**”, together with the Personal Guarantor, the “**Guarantors**”) on a joint and several basis, and provide an irrevocable and unconditional guarantee in respect of all of the Company’s obligations.

Save and except with a written consent from the Loan Lender, the Guarantors shall not create any liens, charges or encumbrances of any of the Shares that they are beneficially interested in from time to time.

Since all the existing Shares held by the Subscriber have been pledged to CCBI as collateral as at the date of this announcement and all the Subscription Shares and the Conversion Shares to be allotted and issued to the Guarantors will be pledged to the Financier, the Guarantors are required to obtain a written consent from the Loan Lender. Pursuant to the discussion between Mr. Wong and the Loan Lender, the Loan Lender would provide the relevant written consent for such pledge.

7. Change-of-Control Event : Any one of the followings is considered to be a Change-of-Control Event:

(a) the Guarantors together cease to be beneficially interested in 52% of share capital in the Company upon Subscription Completion, Connected Conversion Completion and Settlement Completion;

(b) the Personal Guarantor ceases to hold (or have the right to control the casting of the votes attaching to) 100% of the shares in the Corporate Guarantor; or

(c) a person or group of persons acting in concert (other than the Corporate Guarantor) gain the power (directly or indirectly) to direct the management and policy of the Company, whether by ownership of share capital, contract or Board control.

8. Ranking : The Potential Loan will constitute direct, unsubordinated, unconditional and secured obligations of the Company. The payment obligations of the Company under the Potential Loan shall at all times rank at least equal to all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.
9. Use of Proceeds : General working capital of the Company, details of which shall be subject to further discussion after Loan Due Diligence.
10. Security : The Potential Loan shall be secured by the followings:
- first ranking share charge over all rights and interests owned by the Group in InVinity Energy Group Limited, an investment holding company incorporated in BVI with three subsidiaries, namely InVinity Energy Limited, Gu Zhang County Vanadium Industry Limited (古丈縣宏源釩業有限責任公司) and Hunan Hongyuan New Energy Technology Company Limited (湖南宏源新能源科技有限公司)(together as the “**InVinity Group**”). InVinity Group is principally engaged in mining, processing and sales of vanadium materials; and share charge over InVinity Group or any other replacement assets provided by the Company or the Corporate Guarantor shall be subject to the Loan Lender’s approval;
 - first ranking debenture over all assets of the Group created or acquired by using the proceeds from the Potential Loan.; and

- subordination and assignment of any shareholder's loan or related party loan into the Group to the Loan Lender.

Upon any Events of Default (see below), the Loan Lender may by notice to the Company, declare any and all outstanding amounts including the outstanding principal amount, all accrued and unpaid interest, Make-Whole Payment, and other amounts immediately due and payable in full by the Company or the Guarantors. The Loan Lender shall, inter alia, have the right to take or foreclose (or assign the right to foreclose) on all or any part of the Security in the event the Company and the Guarantors failed to satisfy its obligations thereunder.

Additional security may be included upon completion of the Loan Due Diligence.

11. Conditions Precedent : Conditions precedent for the drawdown of the Potential Loan shall include the followings:
- (a) evidence that the Corporate Guarantor has completed the Subscription, and together with the Personal Guarantor, interested in not less than 52% of the issued share capital of the Company upon Subscription Completion, Connected Conversion Completion and Settlement Completion;
 - (b) results from the Loan Due Diligence to the Loan Lender's satisfaction as to all legal, financial, tax and commercial aspects;
 - (c) results from the due diligence on the InVinity Group to the satisfaction of the Loan Lender as to all legal, financial, tax and commercial aspects;

- (d) the Group would conduct a special review by the auditor of the Company under applicable official guidelines on the assets and liabilities upon Subscription Completion with the results that would demonstrate the Group is financially sound or the auditor of the Company provides a working capital sufficiency statement indicating the Company has sufficient working capital to operate in the next 12 or 18 months, details of which shall be subject to the satisfaction of the Loan Lender;
- (e) copies of incorporation and constitutional documents, board resolutions, customary officer's certificates (including confirmation that borrowing, guaranteeing and securing limits will not be breached) and specimen signatures of the Company and the Corporate Guarantor;
- (f) finance documents in relation to the Potential Loan duly executed and warrant documentation duly executed; and
- (g) perfection of security documents.

All conditions precedent must be satisfied prior to the drawdown. Subject to the results from the Loan Due Diligence, other conditions could be included in the Facility Agreement.

12. Covenants and Undertakings : Subject to the results from the Loan Due Diligence, the following customary covenants and undertaking shall be considered:
- 1. no further indebtedness without the written consent from the Loan Lender in excess of HK\$1,000,000; and
 - 2. financial covenants of the Group to be agreed.

Details of the covenants and undertaking shall be finalised upon completion of the Loan Due Diligence.

13. Events of Default : Events of Default customary for transactions of this nature shall include the followings:
- (a) failure to pay any principal or interests by the Company;
 - (b) misrepresentation of any information stated in the Facility Agreement by the Company;
 - (c) failure to comply with any undertakings under the Facility Agreement on the part of the Company;
 - (d) cross-default of other indebtedness of the Group in excess of HK\$10,000,000;
 - (e) insolvency and insolvency proceedings of the Company have taken place;
 - (f) non-compliance with any security document by any security provider in favour of the Company from time to time;
 - (g) failure to obtain and maintain any permissions, consents, approvals or authorisations on the principal business of the Group;
 - (h) unlawfulness and invalidity of any members of the Group that would materially affect the operations of the Company;
 - (i) cessation or expropriation of any of principal business of the Group;
 - (j) any Delisting Event or Suspension Event taken place;
 - (k) any Change of Control Event taken place; and

- (1) material adverse change took place in the operations of the Group irrespective of the reason.

Subject to the results from the Loan Due Diligence, other terms could be included in the Facility Agreement.

14. Acceleration : Upon Events of Default, the Loan Lender may, by notice to the Company, declare any or all outstanding amounts including the outstanding principal amount, all accrued and unpaid interest, Make-Whole Payment and other amounts immediately due and payable in full by the Company or the Guarantors. The Loan Lender shall, inter alia, have the right to take or foreclose (or assign the right to foreclose) on all or any part of the Security in the event the Company and the Guarantors failed to satisfy its obligation thereunder.
15. Transferability : The Loan Lender shall have the right to freely assign or transfer all of its rights and obligations under the Potential Loan to third parties without the consent of the Company or the Guarantors.
16. Business Day : Common business day in Hong Kong, New York and Singapore

The terms to be included in the Facility Agreement shall be based on the above but may be subject to further revision upon completion of the Loan Due Diligence. The Loan Lender, its beneficial owners and their respective associates are Independent Third Parties and are not Shareholders. The Loan Lender is not acting in concert with the Subscriber pursuant to the Takeovers Code.

Further announcement will be made by the Company in accordance to Rule 13.18 of the Listing Rules if and when applicable.

REASONS FOR THE SUBSCRIPTION, THE CONNECTED CONVERSION AND THE SETTLEMENT

Reference is made to the announcements of the Company dated, inter alia, 12 August 2020, 6 November 2020 and 21 June 2021 and the annual results announcement of the Company for the year ended 31 March 2021. The Company has received a number of statutory demands from its debtors and the Company is demanded to repay overdue indebtedness, otherwise the Company may be subject to bankruptcy. The Directors have been taking proactive steps to discuss and negotiate for an arrangement to restructure the repayment terms of the overdue borrowings and also seeking fund raising sources. Based on the audited accounts as at 31 March 2021, the total amount of overdue indebtedness of the Group was amounted to approximately HK\$270.4 million, where approximately HK\$83.7 million was unsecured. The Group has exhausted all other means to resolve the current situation. The Subscription is a mean of fund raising and the Connected Conversion and the Settlement are means of lowering the liability of the Group.

The Company reckons that it would be in the interests of the Company and the Shareholders as a whole to raise capital through debts if and when possible. Notwithstanding that any further debt financing would further increase the gearing of the Company, the Board believes it would be impracticable to raise capital solely through debts without strengthening its equity. The Company intends to raise further capital through debts upon Connected Issue Completion at a balanced gearing ratio, such as with the Loan Lender, as the financials of the Group would have improved through the Subscription, the Connected Conversion and the Settlement.

The Company has initially considered to raise equity capital through rights issue or open offer. However, given that:

- 1) the Subscriber has indicated that it has no further internal financial resources to support any investment in any means, and the Financier that supports the Subscriber under the Subscription has explicitly indicated that their support is based on the condition of, inter alia, the absolute certainty on the amount of Shares, Subscription Shares and Conversion Shares owned or to be owned by the Subscriber and Mr. Wong as collateral against the lending upon Connected Issue Completion. The Financier would not accept partial drawdown of the financial support with pro rata collateral of Shares or Subscription Shares or Conversion Shares to be provided. It is possible that any Shareholders may take up their respective entitlement under the scenario of rights issue or open offer, resulting that this condition imposed by the Financier cannot be fulfilled whereby the Subscriber is acting as underwriter in a rights issue or open offer and financially supported by the same Financier. As a result, it would be unfeasible for the Subscriber to underwrite a rights issue or open offer of the Company in similar size as to the Subscription based on the current financing arrangement with the Financier;

- 2) the Company has approached not less than three independent securities companies in relation to possible underwriting of rights issue or open offer in similar size as to the Subscription. Two of the securities companies had acted as placing agent of the Company in previous share placements. All of the approached securities companies had shown no interests. Furthermore, as opposed to the Subscription, there would be customary underwriting fees to be paid to underwriters, which would induce further unnecessary expenses of the Company; and
- 3) as indicated in the section headed “POSSIBLE DEBT FINANCING ARRANGEMENT”, the Loan Lender would require the Subscriber and Mr. Wong to act as Guarantors against any loans made to the Company, and also require the Subscriber and Mr. Wong to remain interested in no less than 52% share capital of the Company. The Company believes it would be in the interests of the Company and Shareholders as a whole to raise capital through debts financing if and when possible to avoid unnecessary further dilution to Shareholders. Conducting a rights issue or open offer may not comply with the terms required by the Loan Lender pursuant to the abovementioned reasons.

In the circumstances, the Company considers that the Subscription, compared to rights issue or open offer, is the preferred financing method for the Group taking into account of the above reasons.

The gross proceeds from the Subscription are expected to be approximately HK\$110,000,000 (based on the Subscription Price of HK\$0.1 per Subscription Share). The net proceeds of the Subscription (after deducting related professional fees and related transaction expenses) are expected to be approximately HK\$105,000,000 and the net Subscription Price per Subscription Share will be approximately HK\$0.095. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$86 million for repayment of outstanding debts of the Group; and (ii) the remaining balance of approximately HK\$19 million for general working capital of the Group.

As part of the net proceeds from the Subscription is expected to be applied for the repayment of the borrowings of the Group, it will improve the Group’s net debt ratio and net current liabilities position. The Subscription could raise a substantial amount of additional capital and funding to repay outstanding overdue liabilities.

The Company believes that each of the Connected Conversion and the Settlement would allow the Company to lower the liabilities of the Group and is in the interests of the Company and Shareholders as a whole.

USE OF PROCEEDS

The principal use of proceeds from the Subscription is repayment of loans of the Group. Set out below is the expected repayment schedule of the Group for the year ending 31 March 2022 with estimated net proceeds of approximately HK\$105 million:

Period	Expected amount of loan repayment of the Group (approximate)
Date of the Connected Issue Completion to 31 March 2022	HK\$66 million
1 April 2022 to 30 June 2022	HK\$12 million
1 July 2022 to 30 September 2022	<u>HK\$8 million</u>
Total	<u>HK\$86 million</u>

Remaining balance from the net proceeds from the Subscription of approximately HK\$19 million is intended to apply as general working capital of the Group.

FUTURE INTENTION OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends to continue the existing principal businesses of the Group. It has no intention to (i) discontinue the employment of any employees of the Group; (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) change the current Board composition.

The Subscriber also intends to maintain the listing of the Shares on the Main Board following the Connected Issue Completion and Settlement Completion.

EFFECT ON THE SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) upon the issue of the Subscription Shares, the Conversion Shares and the Settlement Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, the Conversion Shares and the Settlement Shares):

Name of the Shareholder	Shareholding as at the date of this announcement		Shareholding upon the issue of the Subscription Shares, the Conversion Shares and the Settlement Shares	
	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage
Mr. Wong (Note 1)	–	–	96,510,000	4.08%
The Subscriber (Note 2, 4)	53,249,204	8.03%	1,153,249,204	48.79%
Mpplication (Note 4)	–	–	10,080,000	0.43%
Mr. Lam (Notes 2, 3)	29,800,000	4.50%	49,954,000	2.11%
Ms. Yeung Betty (Notes 5)	2,418,000	0.36%	2,418,000	0.10%
Sub-total of the Subscriber and parties acting in concert with it	85,467,204	12.89%	1,312,211,204	55.51%
First Fidelity Capital (International) Limited (Note 8)	–	–	238,908,000	10.11%
Public Shareholders:				
Mr. Cheung Yick Hung Jackie (Notes 6, 7)	100,000	0.02%	100,000	0.00%
Ms. Yu Sze Wan Gisela (Note 8)	–	–	22,778,000	0.96%
Red Hill Investment BVI Ltd (Note 8)	–	–	105,370,000	4.46%
Mr. Tong Man Chun (Note 8)	–	–	12,068,000	0.51%
Kedah Company Limited (Note 8)	–	–	50,000,000	2.12%
Ms. Wu Chit Wai (Note 8)	–	–	45,072,000	1.91%
Other public Shareholders	577,238,796	87.09%	577,238,796	24.42%
Total	662,806,000	100.00%	2,363,746,000	100.00%

Notes:

- (1) As at the date of this announcement, Mr. Wong holds 5,500,000 Share Options which are exercisable from 2 April 2020 to 1 April 2022.
- (2) As at the date of this announcement, 53,249,204 Shares and 29,800,000 Shares respectively owned by the Subscriber and Mr. Lam are pledged to CCBI in favour of the CCBI Note, which was due on 16 November 2019. As the Company failed to settle the amount due to CCBI by 16 November 2019, CCBI served a statutory demand on the Company in light of its default on 7 August 2020 and sold a total of 6,314,437 pledged Shares owned by Mr. Lam in the six months prior to the date of this announcement. CCBI has the right to continue to sell the remaining pledged Shares owned by the Subscriber and Mr. Lam until the Company has fully repaid the amount due under the CCBI Note.

- (3) As at the date of this announcement, other than interested in 29,800,000 Shares, Mr. Lam holds 5,500,000 Share Options which are exercisable from 2 April 2020 to 1 April 2022.
- (4) Each of the Subscriber and Mpplication is wholly and beneficially owned by Mr. Wong.
- (5) As at the date of this announcement, 2,418,000 Shares are owned by Ms. Yeung Betty, mother of Mr. Lam.
- (6) Mr. Cheung Yick Hung Jackie is an independent non-executive Director.
- (7) As at the date of this announcement, Mr. Cheung Yick Hung Jackie holds 6,250 Share Options which are exercisable from 2 July 2021 to 1 April 2023, 6,250 Share Options which are exercisable from 2 October 2021 to 1 April 2023, 6,250 Share Options which are exercisable from 2 January 2022 to 1 April 2023, and 6,250 Share Options which are exercisable from 2 April 2022 to 1 April 2023.
- (8) The Company shall issue and allot 238,908,000, 22,778,000, 105,370,000, 12,068,000, 50,000,000 and 45,072,000 Settlement Shares to First Fidelity Capital (International) Limited, Ms. Yu Sze Wan Gisela, Red Hill Investment (BVI) Limited, Mr. Tong Man Chun, Kedah Company Limited and Ms. Wu Chit Wai respectively under the Settlement Agreements for repayment of the outstanding indebtedness.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Listing Rules implications

The Subscription Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders' approval at the EGM by way of poll.

As at the date of this announcement, each of the Subscriber and Mpplication is beneficially wholly owned by Mr. Wong, an executive Director of the Company. Therefore, each of the Subscriber, Mr. Wong and Mpplication is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Subscription Agreement, the Connected Conversion Agreements, the Specific Mandate, and the transactions contemplated thereunder constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and would be subject to the announcement, reporting and Independent Shareholders' approval requirements at the EGM by way of poll.

The Settlement Shares will be allotted and issued pursuant to the Specific Mandate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lenders and their respective ultimate beneficial owners are not connected persons of the Company and are Independent Third Parties. However, given that the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional, the Subscriber, Mr. Lam and Ms. Yeung Betty are deemed to be interested in the Settlement Agreements and the transactions contemplated thereunder, and hence shall abstain from voting on the relevant resolutions at the EGM. As a result, the Settlement, the Specific Mandate and the transactions contemplated thereunder are subject to the announcement, reporting and Independent Shareholders' approval requirements at the EGM by way of poll.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscription, the Connected Conversion and the Settlement will result in a theoretical dilution effect of approximately 53.41%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company considers there are exceptional circumstances for the Company, details of which will be contained in the relevant circular. As a result, the Company has made an application to the Stock Exchange for the waiver from the strict compliance of Rule 7.27B of the Listing Rules in relation to the issue and allotment of the Subscription Shares, the Conversion Shares and the Settlement Shares. The Stock Exchange has indicated that based on the information contained herein, the Company can proceed with the Subscription, the Connected Conversion and the Settlement.

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

Special Deal

Mr. Lam is a Shareholder and is a party acting in concert with the Subscriber. The transaction contemplated under the Second Connected Conversion Agreement represents a favourable condition that is not extended to all Shareholders, which would constitute a special deal under Rule 25 of the Takeovers Code and require the consent of the Executive. Such consent, if granted, will be subject to (a) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deal are fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole; and (b) the approval of the Special Deal at the EGM by the Independent Shareholders by way of poll.

The Company will make an application to the Executive for his consent under Rule 25 of the Takeovers Code in relation to the Special Deal.

Disqualifying transactions and application for the Executive's consent

Pursuant to paragraph 3(b) of the Whitewash Guidance Note set out in Schedule VI of the Takeovers Code, the Whitewash Waiver will not be granted or if granted will be invalidated if, without the prior consent of the Executive, any acquisitions or disposals of voting rights are made by such persons in the period between the announcement and the Subscription Completion and Connected Conversion Completion. As disclosed in the section headed "EFFECT ON THE SHAREHOLDING STRUCTURE", as at the date of this announcement, a total of 53,249,204 Shares and 29,800,000 Shares respectively owned by the Subscriber and Mr. Lam are pledged to CCBI in favour of the CCBI Note, which was due on 16 November 2019. As the Company failed to settle the amount due to CCBI by 16 November 2019, CCBI exercised their right to sell a total of 6,314,437 pledged Shares owned by Mr. Lam in the six months prior to the date of this announcement (the "**Disposals**"). Details of the Disposals are as follows:

Transaction date	Opening balance of the number of Shares owned by Mr. Lam pledged to CCBI in favour of the CCBI Note (assuming previous disposals have been settled)	Number of Shares being disposed by CCBI	Selling price per Share (HK\$)	Gross proceeds from the Disposals (HK\$)	Closing balance of the number of Shares owned by Mr. Lam pledged to CCBI in favour of the CCBI Note (assuming previous disposals have been settled)
27 July 2021	36,114,437	30,000	0.4550	13,650.00	36,084,437
	36,084,437	70,000	0.4700	32,900.00	36,014,437
	36,014,437	50,000	0.4750	23,750.00	35,964,437
29 July 2021	35,964,437	437	0.4450	194.47	35,964,000
	35,964,000	202,000	0.4650	93,930.00	35,762,000
	35,762,000	62,000	0.4700	29,140.00	35,700,000
2 August 2021	35,700,000	170,000	0.5000	85,000.00	35,530,000
3 August 2021	35,530,000	120,000	0.4500	54,000.00	35,410,000
	35,410,000	120,000	0.4550	54,600.00	35,290,000
	35,290,000	614,000	0.4600	282,440.00	34,676,000
	34,676,000	236,000	0.4650	109,740.00	34,440,000
	34,440,000	10,000	0.4800	4,800.00	34,430,000
4 August 2021	34,430,000	620,000	0.4500	279,000.00	33,810,000
	33,810,000	220,000	0.4550	100,100.00	33,590,000
	33,590,000	110,000	0.4650	51,150.00	33,480,000
5 August 2021	33,480,000	86,000	0.4500	38,700.00	33,394,000
	33,394,000	44,000	0.4550	20,020.00	33,350,000

Transaction date	Opening balance of the number of Shares owned by Mr. Lam pledged to CCBI in favour of the CCBI Note (assuming previous disposals have been settled)	Number of Shares being disposed by CCBI	Selling price per Share (HK\$)	Gross proceeds from the Disposals (HK\$)	Closing balance of the number of Shares owned by Mr. Lam pledged to CCBI in favour of the CCBI Note (assuming previous disposals have been settled)
9 August 2021	33,350,000	40,000	0.4350	17,400.00	33,310,000
	33,310,000	54,000	0.4400	23,760.00	33,256,000
	33,256,000	46,000	0.4450	20,470.00	33,210,000
	33,210,000	300,000	0.4500	135,000.00	32,910,000
10 August 2021	32,910,000	150,000	0.4300	64,500.00	32,760,000
	32,760,000	260,000	0.4350	113,100.00	32,500,000
11 August 2021	32,500,000	100,000	0.4200	42,000.00	32,400,000
	32,400,000	20,000	0.4250	8,500.00	32,380,000
	32,380,000	80,000	0.4350	34,800.00	32,300,000
12 August 2021	32,300,000	170,000	0.4100	69,700.00	32,130,000
	32,130,000	150,000	0.4150	62,250.00	31,980,000
13 August 2021	31,980,000	100,000	0.3750	37,500.00	31,880,000
	31,880,000	80,000	0.3800	30,400.00	31,800,000
	31,800,000	50,000	0.3850	19,250.00	31,750,000
	31,750,000	50,000	0.3900	19,500.00	31,700,000
	31,700,000	100,000	0.4000	40,000.00	31,600,000
	31,600,000	100,000	0.4050	40,500.00	31,500,000

Transaction date	Opening balance of the number of Shares owned by Mr. Lam pledged to CCBI in favour of the CCBI Note (assuming previous disposals have been settled)	Number of Shares being disposed by CCBI	Selling price per Share (HK\$)	Gross proceeds from the Disposals (HK\$)	Closing balance of the number of Shares owned by Mr. Lam pledged to CCBI in favour of the CCBI Note (assuming previous disposals have been settled)
16 August 2021	31,500,000	88,000	0.4150	36,520.00	31,412,000
	31,412,000	12,000	0.4200	5,040.00	31,400,000
19 August 2021	31,400,000	100,000	0.3750	37,500.00	31,300,000
20 August 2021	31,300,000	168,000	0.3650	61,320.00	31,132,000
	31,132,000	278,000	0.3700	102,860.00	30,854,000
	30,854,000	54,000	0.3750	20,250.00	30,800,000
23 August 2021	30,800,000	40,000	0.3650	14,600.00	30,760,000
	30,760,000	68,000	0.3700	25,160.00	30,692,000
	30,692,000	32,000	0.3750	12,000.00	30,660,000
	30,660,000	60,000	0.4050	24,300.00	30,600,000
24 August 2021	30,600,000	210,000	0.3600	75,600.00	30,390,000
	30,390,000	110,000	0.3650	40,150.00	30,280,000
	30,280,000	80,000	0.3700	29,600.00	30,200,000
25 August 2021	30,200,000	8,000	0.3550	2,840.00	30,192,000
	30,192,000	90,000	0.3600	32,400.00	30,102,000
	30,102,000	300,000	0.3650	109,500.00	29,802,000
	29,802,000	2,000	0.3700	740.00	29,800,000
Aggregate Amount		<u>6,314,437</u>		<u>2,682,124.47</u>	

CCBI has the right to continue to sell the remaining pledged Shares owned by the Subscriber and Mr. Lam until the Company has fully repaid the amount due under the CCBI Note (the “**Future Disposals**”). Future Disposals which may take place after the date of this announcement would constitute disqualifying transactions pursuant to the Takeovers Code. An application to the Executive has been made by the Subscriber for the consent on the Future Disposals and the Executive has granted such consent.

Further details of the CCBI Note

The business model of the Group requires bank financing, where in some cases, in the absence of sufficient collateral provided by the Group, financial institutes may request the Directors and Shareholders to provide, inter alia, personal guarantees and Shares as security against the loan granted to the Company. Against this backdrop, the Company issued the CCBI Note in the principal amount of HK\$80,000,000 on 16 November 2017, which is guaranteed by Mr. Wong and Mr. Lam and secured by all the Shares owned by the Subscriber and Mr. Lam (the “**Collateral**”) as at the issuance date of the CCBI Note.

Set out below are the principal terms of the CCBI Note:

Issuance Date:	16 November 2017
Issuer:	The Company
Noteholder:	CCBI
Principal Amount:	HK\$80,000,000
Current Outstanding Amount as at 20 August 2021:	Approximately HK\$78,042,516.07
Purpose of the Issue of the CCBI Note:	For the Group’s South Africa projects for purchasing products
Outstanding Collateral as at the Date of this Announcement:	83,049,204 Shares, representing the entire interests owned by the Subscriber and Mr. Lam <i>For the avoidance of doubt, the Subscription Shares and the Conversion Shares to be issued to the Subscriber and Mr. Lam will not be included as the Collateral.</i>

Personal Guarantees: Mr. Wong and Mr. Lam on a joint and several basis

Maturity Date: 16 November 2019

Current Status: In default

The Whitewash Waiver

As at the date of this announcement, the Subscriber and parties acting in concert with it are interested in an aggregate of 85,467,204 Shares, representing approximately 12.89% of the total issued share capital of the Company. The Subscription Completion, the Connected Conversion Completion and the Settlement Completion are expected to take place simultaneously, upon which the shareholding of the Subscriber and parties acting in concert with it (including Mr. Wong, Mpplication, Mr. Lam and Ms. Yeung Betty) will increase from approximately 12.89% to a maximum of 55.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Settlement Shares (assuming there will be no other change in the number of issued Shares between the date of this announcement and the date of the Connected Issue Completion and the Settlement Completion, save for the issue and allotment of the Subscription Shares, the Conversion Shares and the Settlement Shares), thereby triggering an obligation on the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive.

An application will be made to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by at least 75% of the Independent Shareholders by way of poll at the EGM and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions of the Whitewash Waiver (i.e. the Subscription, the Connected Conversion and the Specific Mandate). As obtaining the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement, the Connected Conversion Agreements, and the Settlement Agreements and such condition is not waivable, none of the Subscription Agreement, the Connected Conversion Agreements, and the Settlement Agreements will proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders at the EGM according to the requirements set out hereinabove.

As at the date of this announcement, the Company does not believe that the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder including the granting of the Specific Mandate, the Whitewash Waiver and the Special Deal give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder including the granting of the Specific Mandate, the Whitewash Waiver and the Special Deal do not comply with other applicable rules and regulations.

OTHER INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, other than 85,467,204 Shares and 11,000,000 Share Options held by the Subscriber and parties acting in concert with it as disclosed in the sections headed “EFFECT ON THE SHAREHOLDING STRUCTURE” in this announcement and all the transactions contemplated under the Subscription Agreement and the Connected Conversion Agreements as disclosed in the section headed “THE SUBSCRIPTION AGREEMENT” and “THE CONNECTED CONVERSION AGREEMENTS”, in this announcement, neither the Subscriber nor any parties acting in concert with it:

- (i) holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company;
- (ii) has entered into any outstanding derivatives in respect of the securities in the Company;
- (iii) has secured any irrevocable commitment from any Independent Shareholders to vote in favour of or against the resolution(s) approving the Subscription Agreement, the Connected Conversion Agreements, the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver;
- (iv) has any arrangement as referred to Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription Agreement, the Connected Conversion Agreements, the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver;

- (v) has any agreement or arrangement to which the Subscriber or any parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreement, the Connected Conversion Agreements, the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver; and
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the date of this announcement:

- (a) apart from the Subscription Shares and the Conversion Shares to be subscribed and allotted, respectively, by the Subscriber, Mr. Wong, Mpplication and Mr. Lam, each of the Subscriber, Mr. Wong, Mpplication and Mr. Lam has not paid and will not pay any other consideration, compensation or benefit in whatever form to the Company and parties acting in concert with it in connection with the Subscription and the Subscription Agreement, the Connected Conversion and the Connected Conversion Agreements and the Whitewash Waiver;
- (b) apart from the Second Connected Conversion Agreement, there is no other understanding, arrangement or special deal between the Company and parties acting in concert with it on the one hand, and the Subscriber and parties acting in concert with it on the other hand; and
- (c) there is no understanding, arrangement, agreement or special deal between (i) any Shareholders (other than the Subscriber and parties acting in concert with it); and (ii) (a) the Subscriber and parties acting in concert with it; or (ii) (b) the Company, its subsidiaries or associated companies.

Dealing in the Company's securities

Save for the Disposals set out in the section headed "Disqualifying transactions and application for the Executive's consent" above, each of Mr. Wong and Mr. Lam has confirmed that none of the Subscriber or parties acting in concert with it, including the Financier and its respective associates and ultimate beneficial owners, has acquired any voting rights in the Company or dealt in any securities of the Company in the six months prior to the date of this announcement which would constitute disqualifying transactions under paragraph three of the Whitewash Guidance Note set out in Schedule VI of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver and/or the Special Deal consent and in the event that any of the Whitewash Waiver and the Special Deal consent is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed.

SECURITIES OF THE COMPANY

As at the date of this announcement, details of all classes of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company are as follows:

- (i) a total of 662,806,000 Shares are in issue; and
- (ii) outstanding Share Options granted under the Share Option Scheme, which may be exercised into 22,811,000 Shares at the exercise price of HK\$0.290 per Share Option.

Save as aforesaid, the Company has no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made in accordance with Rule 2.1 of the Takeovers Code.

GENERAL

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal.

By virtue of (i) the interest of the Subscriber in the Subscription Agreement, (ii) the interest of Mr. Wong, Mpplication and Mr. Lam in the Connected Conversion Agreements, and (iii) the deemed interest of the Subscriber and Mr. Lam in the Settlement Agreements, the Subscriber and Mr. Lam and their respective associates and parties acting in concert with them (including Ms. Yeung Betty) shall abstain from voting on the resolution(s) to be proposed at the EGM in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal.

The Subscriber and Mpplication are beneficially wholly owned by Mr. Wong and Mr. Wong is a party under the First Connected Conversion Agreement. Mr. Lam is a party acting in concert with the Subscriber and is a party under the Second Connected Conversion Agreement. In addition, the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional. As a result, Mr. Wong and Mr. Lam are interested in the Subscription, the Connected Conversion, the Settlement, the Whitewash Waiver and the Special Deal. Both Mr. Wong and Mr. Lam abstained from voting on the Board resolutions in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal.

Save as disclosed above, as at the date of this announcement, no other Director has a material interest in the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements which requires any of them to abstain from voting on the Board resolutions in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal.

Given the Board only comprises two executive Directors (being Mr. Wong and Mr. Lam, who have both abstained from voting on the said Board resolutions) and three independent non-executive Directors, the Board will defer its views on the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements to the Independent Board Committee which has been formed, and will, after receiving and considering the advice of the Independent Financial Adviser, reach an opinion and give its recommendation to the Independent Shareholders on whether the terms of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to how to vote on the relevant proposed resolution(s) at the EGM.

A circular containing (i) details of the Connected Issue, the Whitewash Waiver and the Special Deal; (ii) details of the Settlement; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal; (iv) the letter of advice from an Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal; (v) a notice of the EGM with the form of proxy are expected to be despatched to the Shareholders within 21 days from the date of this announcement in compliance with the Rule 8.2 and the Takeovers Code.

Shareholders and potential investors should note that the Subscription Completion, the Connected Conversion Completion and the Settlement Completion are subject to fulfilment of certain conditions precedent under the respective agreements. As the transactions may or may not become unconditional or be completed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among other things, be subject to the approval by at least 75% of the Independent Shareholders by way of poll at the EGM and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions of the Whitewash Waiver (i.e. the Connected Issue and the Specific Mandate).

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Business Day”	any day (excluding a Saturday, Sunday or public holiday) on which banks generally are open for normal banking business to the public in Hong Kong
“BVI”	the British Virgin Islands
“CCBI”	Wan Tai Investments Limited, a company incorporated in the BVI with limited liability and is indirectly wholly and beneficially owned by CCB International (Holdings) Limited
“CCBI Note”	the 9.0% secured guaranteed note in the principal amount of HK\$80,000,000 issued by the Company to CCBI on 16 November 2017, which is guaranteed by Mr. Wong and Mr. Lam and secured by the 83,049,204 Shares held by the Subscriber and Mr. Lam as at the date of this announcement
“Company”	Synergy Group Holdings International Limited (滙能集團控股國際有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1539)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Connected Conversion Agreements”	the First Connected Conversion Agreement and the Second Connected Conversion Agreement
“Connected Conversion”	the subscription of the Conversion Shares by Mr. Wong, Mpplication and Mr. Lam in settlement of the corresponding amounts of outstanding and overdue indebtedness owed by the Company to each of Mr. Wong, Mpplication and Mr. Lam, pursuant to the terms of the Connected Conversion Agreements
“Connected Conversion Completion”	the completion of the Connected Conversion

“Connected Issue”	the Subscription and the Connected Conversion
“Connected Issue Completion”	the Subscription Completion and the Connected Conversion Completion
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Conversion Share(s)”	a total of 96,510,000, 10,080,000 and 20,154,000 new Shares to be allotted and issued by the Company to Mr. Wong, Mpplication and Mr. Lam, respectively pursuant to the Connected Conversion Agreements
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held and convened for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolution(s) in respect of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements, and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Facility Agreement”	the formal facility agreement in relation to the Potential Loan which may be entered into by the Loan Lender and the Company
“Financier”	Ancient Wisdom Limited, a company incorporated in the BVI with limited liability, which it and its ultimate beneficial owner, namely Mr. Wu Shang Tun Mason, are Independent Third Parties. Mr. Wu Shang Tun Mason is the cousin of Mr. Wu Arthur, the ultimate beneficial owner of the Loan Lender, who is an Independent Third Party

“First Connected Conversion Agreement”	the agreement to be entered into among the Company, Mr. Wong and Mpplication, in relation to the Connected Conversion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony, established to advise the Independent Shareholders in respect of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements, the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal
“Independent Financial Adviser”	an independent financial adviser, to be appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements, the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and the Special Deal
“Independent Shareholder(s)”	shareholder(s) other than (i) the Subscriber and their associates; (ii) Mr. Lam; (iii) any parties acting in concert with the Subscriber and Mr. Lam (including Ms. Yeung Betty); and (iv) those who are involved or interested in the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of Specific Mandate, the Whitewash Waiver and/or the Special Deal

“Independent Third Party(ies)”	independent third party who is not connected person (as defined in the Listing Rules) of the Company
“Issue Price”	the issue price of HK\$0.1 per Conversion Share and Settlement Share
“Last Trading Day”	15 September 2021, being the last trading day of the Shares as at the date of this announcement (after trading hours of the Stock Exchange)
“Lender(s)”	Red Hill Investment (BVI) Limited, Ms. Yu Sze Wan Gisela, Kedah Company Limited, First Fidelity Capital (International) Limited, Mr. Tong Man Chun and Ms. Wu Chit Wai
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Lender”	Wings Credit Limited, a company incorporated in Hong Kong with limited liability and a licensed money lender in Hong Kong under the Money Lenders Ordinance, which it and its ultimate beneficial owner, namely Mr. Wu Arthur, are Independent Third Parties. Mr. Wu Arthur is the cousin of Mr. Wu Shang Tun Mason, the ultimate beneficial owner of the Financier, who is an Independent Third Party
“Loan MOU”	a memorandum of understanding dated 15 September 2021 entered into between the Company and the Loan Lender in relation to the provision of Potential Loan
“Long Stop Date”	31 December 2021, or such later date as the parties to the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements may agree (as the case may be)

“Main Board”	the securities market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Mpplication”	Mpplication Group Limited, a company incorporated in Hong Kong with limited liability, is wholly and beneficially owned by Mr. Wong, and a party of the Connected Conversion
“Mr. Lam”	Mr. Lam Arthur, an executive Director of the Company
“Mr. Wong” or “Personal Guarantor”	Mr. Wong Man Fai Mansfield, the chairman, chief executive officer and executive Director of the Company, and a party of the Connected Conversion
“Potential Loan”	the potential loan facility in the principal amount of HK\$40 million granted by the Loan Lender to the Company pursuant to the Loan MOU
“Second Connected Conversion Agreement”	the agreement to be entered into between the Company and Mr. Lam, in relation to the Connected Conversion
“Settlement”	the subscription of the Settlement Shares by the Lenders in settlement of the corresponding amounts of outstanding and overdue indebtedness owed by the Company to each of the Lenders pursuant to the terms of the Settlement Agreements
“Settlement Agreements”	the agreements to be entered into between the Company and each of the Lenders in relation to the Settlement
“Settlement Completion”	the completion of the Settlement
“Settlement Shares”	a total of 429,314,000 new Shares to be allotted and issued by the Company to the Lenders pursuant to the Settlement Agreements
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option(s)”	the outstanding share option(s), exercisable or not, granted by the Company under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 5 March 2015 (which was amended on 26 October 2016)
“Special Deal”	the transaction contemplated under the Second Connected Conversion Agreement which constitutes a special deal under of Rule 25 of the Takeovers Code
“Specific Mandate”	the specific mandate to be sought at the EGM to grant the authority to the Board for the allotment and issue of the Subscription Shares, the Conversion Shares and/or the Settlement Shares from Independent Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Abundance Development Limited, a company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Wong
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement to be entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion”	completion of the Subscription
“Subscription Price”	HK\$0.1 per Subscription Share

“Subscription Share(s)”	a total of 1,110,000,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it under Rule 26 of the Takeovers Code which would, otherwise arise as a result of the issue and allotment of the Subscription Shares and the Conversion Shares
“%”	per cent

By order of the Board
Synergy Group Holdings International Limited
Chung Koon Yan
Independent non-executive Director

Hong Kong, 15 September 2021

As at the date of this announcement, the executive Directors are Mr. Wong Man Fai Mansfield and Mr. Lam Arthur; and the independent non-executive Directors are Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony.

As at the date of this announcement, the sole director of the Subscriber is Mr. Wong Man Fai Mansfield.

The Directors jointly and severally accept full responsibility for the accuracy of information (other than those relating to the Subscriber and the parties acting in concert with it) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Subscriber) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The sole director of the Subscriber accepts full responsibility for the accuracy of the information relating to the Subscriber and the parties acting in concert with it contained in this announcement and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.