
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Synergy Group Holdings International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

**(1) CONNECTED TRANSACTION – ISSUE OF SUBSCRIPTION SHARES
TO A CONNECTED PERSON;
(2) CONNECTED TRANSACTIONS – ISSUE OF CONVERSION SHARES
TO CONNECTED PERSONS;
(3) ISSUE OF SETTLEMENT SHARES;
(4) APPLICATION FOR WHITEWASH WAIVER;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to Abundance
Development Limited**

VEDA | CAPITAL
智略資本

Veda Capital Limited

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

HOORAY 好盈

Hooray Capital Limited

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

 **瓏盛資本有限公司**
Draco Capital Limited

Capitalised terms used in this cover page have the same meanings as defined in this circular unless otherwise provided.

A letter from the Board is set out on pages 10 to 59 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 60 to 61 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 62 to 99 of this circular.

Please refer to page 1 of this circular for the measures being taken at the EGM to try to prevent and control the spread of COVID-19.

A notice convening the EGM of Synergy Group Holdings International Limited 滙能集團控股國際有限公司 (the “Company”) to be held at 23/F, Konnect, 303 Jaffe Road, Wan Chai, Hong Kong on 8 December 2021 at 11:45 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use in connection with the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.synergy-group.com>).

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deliver with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event no later than 11:45 a.m. (Hong Kong time) on 6 December 2021 (or if the EGM is adjourned, not less than 48 hours before the time appointed for holding of the adjourned EGM). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

In case of any inconsistency between the English version and the Chinese version of this circular, the English version shall prevail.

15 November 2021

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every attending Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into, or be requested to leave, the EGM venue.
- (ii) All attendees are requested to wear surgical face masks at the EGM venue at all times, and to maintain a safe distance with other attendees where possible.
- (iii) To the extent permitted under applicable laws and regulations, any person who does not comply with the measures above may be denied entry into, or be required to leave, the EGM venue.
- (iv) No refreshments will be served, and there will be no corporate gifts, at the EGM.

Shareholders should carefully consider the risk of attending the EGM, including their own personal circumstances. In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by completing and signing the form of proxy in accordance with the instructions printed thereon, Shareholders may appoint the Chairman of the EGM as their proxies to attend and vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.

The form of proxy for use in connection with the EGM is enclosed with this circular. The form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.synergy-group.com>). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, unless the context requires otherwise, 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 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 53,249,204 Shares held by the Subscriber as at the Latest Practicable Date;
“Chairman”	chairman of the Board;
“Chief Executive Officer”	chief executive officer of the Company;
“Collateral”	the Shares pledged by the Subscriber and Mr. Lam in favour of CCBI for the CCBI Note as at its issuance date;
“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;

DEFINITIONS

“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;
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the High Court of Hong Kong, becomes effective in accordance with its terms and relevant laws;
“EGM”	the extraordinary general meeting of the Company to be held and convened at 23/F, Konnect, 303 Jaffe Road, Wan Chai, Hong Kong on 8 December 2021 at 11:45 a.m. 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 the Specific Mandate and/or the special resolution in respect of the Whitewash Waiver;

DEFINITIONS

“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 BVI with limited liability for the sole purpose of providing the loan to the Subscriber. It does not carry any other principal business. It and its sole 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. Save and except for the loan for financing the Subscription, the Financier and its sole ultimate beneficial owner (i) have neither relationship nor prior business relationship; and (ii) have not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Company and its connected persons as defined in the Listing Rules;
“First Connected Conversion Agreement”	the agreement to be entered into among the Company, Mr. Wong and Mpplication, in relation to the Connected Conversion;
“Forced Disposals”	the aggregate forced sales of 36,114,437 pledged Shares owned by Mr. Lam under the CCBI Note exercised by CCBI during the Relevant Period as set out in the section headed “Disqualifying transactions and the Executive’s consent” in the Letter from the Board of this circular;
“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;

DEFINITIONS

“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 and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver;
“Independent Financial Adviser”	Draco Capital Limited, a corporation licensed to carry type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver;
“Independent Shareholder(s)”	shareholder(s) other than (i) the Subscriber and its associates; (ii) any parties acting in concert with the Subscriber (including Mr. Wong, Mr. Lam, Ms. Yeung Betty and Mpplication); and (iii) 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 the Specific Mandate and/or the Whitewash Waiver;
“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;
“Joint Announcement”	the joint announcement dated 15 September 2021 issued by the Company and the Subscriber in relation to, among others, 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;

DEFINITIONS

“Last Trading Day”	15 September 2021, being the last trading day of the Shares immediately prior to the date of the release of the Joint Announcement;
“Latest Practicable Date”	12 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained therein;
“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 sole 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. Save and except for the Potential Loan, the Loan Lender and its sole ultimate beneficial owner (i) have neither relationship nor prior business relationship; and (ii) have not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Company and its connected persons as defined in the Listing Rules;
“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);

DEFINITIONS

“Main Board”	the securities market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
“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 and a party of the Connected Conversion;
“Mr. Wong” or “Personal Guarantor”	Mr. Wong Man Fai Mansfield, the Chairman, Chief Executive Officer and executive Director 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;
“Reference Average Share Price”	the average Share price during the Reference Period;
“Reference Period”	the period from 1 January 2021 to 15 April 2021, when the negotiation of the terms of Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements between the Company and relevant parties took place;
“Relevant Period”	the period from 15 March 2021 (which is six months prior to the date of the Joint Announcement) up to and including the Latest Practicable Date;
“Scheme”	a proposed scheme of arrangement between the Company and its creditors, settling the outstanding principal of liabilities of the Company over a period of two and a half years;
“Second Connected Conversion Agreement”	the agreement to be entered into between the Company and Mr. Lam, in relation to the Connected Conversion;

DEFINITIONS

“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 474,196,000 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)”	holder(s) of Share(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 constituted a special deal under Note 5 of Rule 25 of the Takeovers Code as at the date of the Joint Announcement but was subsequently deemed not applicable as at the Latest Practicable Date;
“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;

DEFINITIONS

“Subscriber”	Abundance Development Limited, a company incorporated in 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 1,100,000,000 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; and
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wong Man Fai Mansfield
(Chairman and Chief Executive Officer)
Mr. Lam Arthur *(Vice Chairman)*

Independent Non-executive Directors:

Mr. Chung Koon Yan
Mr. Cheung Yick Hung Jackie
Dr. Wong Chi Ying Anthony

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Headquarters and Principal Place of
Business in Hong Kong:*

15th Floor
Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong

15 November 2021

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the Joint Announcement and the joint announcement issued by the Company and the Subscriber on 20 September 2021 that, the Company attempted to alleviate the financial difficulties of the Group and to avoid bankruptcy by, *inter alia*, raising capital from the Subscription and lowering the overdue liabilities from the Connected Conversion and the Settlement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Connected Issue and the Whitewash Waiver; (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 the Specific Mandate and the Whitewash Waiver; (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 granting of the Specific Mandate and the Whitewash Waiver; and (v) the notice of the EGM.

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. 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 the Letter from the Board of this circular.

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 the Letter from the Board of this circular.

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.

LETTER FROM THE BOARD

The 1,100,000,000 Subscription Shares represent (i) approximately 165.96% of the issued share capital of the Company as at the Latest Practicable Date; 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 and the Whitewash Waiver;
- (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 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

LETTER FROM THE BOARD

- (g) 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 (g) 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 (f) as stated above are not satisfied, and in the case of condition precedent (g) 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.

As at the Latest Practicable Date, none of the conditions precedent of the Subscription Agreement have been satisfied (or, if applicable, waived).

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.

LETTER FROM THE BOARD

THE CONNECTED CONVERSION AGREEMENTS

As at the Latest Practicable Date, the Group has outstanding debts owed to Mr. Wong and Mpplication in the amount of approximately HK\$9,651,020 and HK\$1,148,000, respectively, and shareholder's loans owed to Mr. Lam in the amount of approximately HK\$2,015,520. The aggregate amount of outstanding debts under the Connected Conversion is approximately HK\$12,786,540. 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 shall 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.

The indebtedness due from the Company to Mr. Wong that is 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 is 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 is 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 is subject to the Connected Conversion between Mr. Wong, Mpplication and Mr. Lam as creditors and the Company as debtor 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, MPPLICACION AND THE LENDERS" in the Letter from the Board of this circular.

LETTER FROM THE BOARD

Parties under the Second Connected Conversion Agreement:

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

For further details about the Mr. Lam, please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPPPLICATION AND THE LENDERS” in the Letter from the Board of this circular.

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 the Letter from the Board of this circular.

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 Latest Practicable Date; 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, 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 and the Whitewash Waiver;

LETTER FROM THE BOARD

- (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 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;
- (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 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
- (g) 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 (g) 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 (f) as stated above are not satisfied, and in the case of condition precedent (g) 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.

As at the Latest Practicable Date, none of the conditions precedent of the Connected Conversion Agreements have been satisfied (or, if applicable, waived).

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.

LETTER FROM THE BOARD

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 Connected 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.

All of the creditors of the Group who are Independent Third Parties were initially invited to participate in the Settlement. However, upon preliminary discussions, such creditors, other than the Lenders, rejected the Group's invitation to participate in the Settlement because of various reasons, *inter alia*, (i) the Group might not be able to make a turnaround from its adverse financial position, exposing the Group to high bankruptcy risk; (ii) the loans provided by some creditors, such as CCBI, are already secured by sufficient collaterals and/or guarantees; and/or (iii) some creditors are restricted by their internal protocol, regulations and/or normal business practice from settling debts by equity conversions. As such, only six creditors (i.e. the Lenders) indicated willingness to participate in the Settlement and the Company had no choice but to only cover six creditors in the Settlement. Set out below are the principal terms of the Settlement Agreements.

LETTER FROM THE BOARD

Details of the allotment and issue of the Settlement Shares:

Name of the Lenders	Amount of indebtedness owed to the Lenders as at the Latest Practicable Date 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	24,169,561.64 (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	2,376,439.06 ⁽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	4,840,273.97 ⁽⁶⁾	Overdue	15%	45,072,000	1.91%	4,507,200
Aggregate Amount:	48,130,154.40			474,196,000	20.06%	47,419,600

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 a subsidiary 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.

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- (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.

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

Upon Settlement Completion, all of the indebtedness subject to the Settlement Agreements between the Lenders as creditors 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.

For further details about the Lenders, please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, APPLICATION AND THE LENDERS” in the Letter from the Board of this circular.

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 the Letter from the Board of this circular.

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 Latest Practicable Date; 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;

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- (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 and the Whitewash Waiver;
- (e) the Executive granting the Whitewash Waiver in respect of the transactions contemplated under the Subscription Agreement and the Connected Conversion Agreements;
- (f) 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
- (g) 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 (g) 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 (f) as stated above are not satisfied, and in the case of condition precedent (g) 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.

As at the Latest Practicable Date, none of the conditions precedent of the Settlement Agreements have been satisfied (or, if applicable, waived).

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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 Latest Practicable Date;
- (ii) 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;
- (iii) a discount of approximately 78.63% to the average closing price of approximately HK\$0.468 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 76.36% to the average closing price of approximately HK\$0.423 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

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- (v) 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
- (vi) 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.

For the purpose of financing the Subscription, the Subscriber has obtained a loan from the Financier, whose maximum acceptable financing amount is approximately HK\$110 million. For the purpose of the loan, the Financier requested for a collateral representing controlling interest in the Company. Principal terms and the rationale of the financing can be found in the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPLICATION AND THE LENDERS” in the Letter from the Board of this circular. As a result, the Subscription would only be feasible under the circumstances if the Subscription Price could result in achieving the requested shareholding requirement. If the Subscription Price and the Issue Price are significantly higher than HK\$0.1 per Share, the number of Subscription Shares and Conversion Shares issued and allotted to the Subscriber, Mr. Wong and Mplication, as the case may be, and the Shares owned by the Subscriber, in aggregate, would not be sufficient to meet such requirement requested by the Financier, resulting the entire equity fund raising exercise of the Company unfeasible.

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 Mplication as their sole beneficial owner), Mr. Lam and the Lenders in the Reference Period after taking into account, *inter alia*, (i) the estimated unaudited net asset value of HK\$0.1 per Share as at 31 March 2021; (ii) the Subscription Price and the Issue Price represented a discount of approximately 17.36% to the Reference Average Share Price of HK\$0.121; (iii) the exceptional circumstances in relation to the financial difficulties and business operations encountered by the Group as detailed in the section headed “REASONS FOR THE SUBSCRIPTION, THE CONNECTED CONVERSION AND THE SETTLEMENT” in the Letter from the Board of this circular; and (iv) the limitation that the Subscriber encountered when arranging the financing for the Subscription with the Financier.

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Although there has been a subsequent increase in Share price after the Reference Period, it was not a relevant factor from the perspective of the Financier as lender, whose interest is associated with the recovery of the principal and earning from interest return. In other words, the Financier cannot benefit from the increase in Share price as it is not entitled to take possession and sell the Shares which have been pledged to it, unless the Subscriber and Mr. Wong as personal guarantor default on the loan agreement. Furthermore, the stock market has been extremely volatile after the Reference Period and there has been no actual improvement on the financial outlook of the Group. As such, the requirements of collateral requested by the Financier on the terms of the financing for the Subscription, *inter alia*, the shareholding and collateral requirements would not be eased, resulting in little room for the Group to subsequently increase or renegotiate the Subscription Price and Issue Price in any material manner.

Based on the above reasons, the Board considers that the Subscription Price and the Issue Price, including the relevant basis and discount to the market price of the Shares, are commercially justifiable, fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

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 BVI and is beneficially wholly owned by Mr. Wong, who is also its sole director. Its principal business is investment holding. As at the Latest Practicable Date, the Subscriber and parties acting in concert with it are interested in an aggregate of 55,667,204 Shares, representing approximately 8.39% of the total issued share capital of the Company. Upon Connected Issue Completion, the Subscriber and its associates and parties acting in concert with it will be interested in a total of 1,282,411,204 Shares, representing approximately 54.25% 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 Latest Practicable Date 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).

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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, which was arrived at after arm's length negotiations between the Subscriber and the Financier with reference to the prevailing market interest rate for similar transactions. 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 for 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 terms of the financing were arrived at after arm's length negotiations between the Subscriber and the Financier which took into account of, *inter alia*, (i) the repayment ability of the Subscriber and Mr. Wong; and (ii) the prospects of the business of the Group.

Given that the Subscriber, which is wholly owned by Mr. Wong, acts as the borrower and Mr. Wong also acts as personal guarantor for the financing, the major concerns of the Financier as lender are the repayment ability of Mr. Wong, as well as the protection obtained from the collateral for the funding.

Mr. Wong did not possess material assets of comparable size in his personal capacity which can be pledged to the Financier as security for the relevant financing other than the Shares owned or to be owned by him.

As such, the majority of the assets and income stream of Mr. Wong lies in the Company, therefore the repayment ability of Mr. Wong closely relates to the business of the Group, which is currently affected by short term factors, *inter alia*, COVID-19 and the global economic downturn. The Financier is confident in the long-term prospect of the Group's business and believes that the Group can achieve a turnaround from the current business situation in the near future if Mr. Wong, who is the founder of the Group with extensive experience in the industry and established networks with the Group's customers, suppliers and business partners, continues to manage the operations of the Group with the management team. As such, the controlling stake in the Company to be held by Mr. Wong could secure Mr. Wong to stay in the Group for the turnaround of the Group's business, which would in turn secure the repayment ability of Mr. Wong and create value for the Company and the collateral.

Moreover, it is a common industry practice and of commercial sense for a lender to request for a controlling stake of a target asset as collateral in order to avoid any unwilling dilution and the value of collateral over a controlling stake of a listed company would be significantly higher with control premium than that of minority stake, making the pledge of not less than 52% interest in the Company sufficient to protect the borrowing amount under the financing for Subscription.

LETTER FROM THE BOARD

Based on the aforementioned reasons, basis and discussions with other potential financiers but in vain, relevant parties are of the view that it is reasonable to request Mr. Wong for a pledge of not less than 52% interest in the Company in favour of the Financier and the terms of the financing are on normal commercial terms.

The Financier and its ultimate beneficial owner are Independent Third Parties and are not Shareholders. Mr. Wong became acquainted with the ultimate beneficial owner and the sole director of the Financier, namely Mr. Wu Shang Tun Mason, through the introduction by a mutual acquaintance. 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. Save and except for providing the loan for financing the Subscription, the Financier and its sole ultimate beneficial owner (i) have neither relationship nor prior business relationship; and (ii) have not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Company and its connected persons as defined in the Listing Rules.

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 an aggregate of 55,667,204 Shares, representing approximately 8.39% of the issued share capital of the Company as at the Latest Practicable Date. 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, who is also its sole director. 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 an asset and private wealth management company which is registered under the SFO with CE number AMS441 to carry the type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. It is a wholly owned subsidiary of Maiden Faith Capital Group Limited, which is an investment holding company incorporated in BVI with limited liability. Its ultimate beneficial owners are Mr. Tong Siu Ting, Success Dragon International Holdings Limited (a limited company incorporated in the Cayman Islands which shares are listed on the Stock Exchange with stock code 1182), Mr. Cheng Wai Lun, Mr. Chan Kam Kong and Mr. Kang John Filemu, who or which respectively own approximately 30%, 25%, 25%, 10%, and 10% shareholding in First Fidelity Capital (International) Limited.

LETTER FROM THE BOARD

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 BVI. Its sole ultimate beneficial owner is Mr. Yu Kai Kwong Ken, who is an Independent Third Party. Its principal business is investment holding.

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

Kedah Company Limited is a company incorporated in Hong Kong with limited liability and is the majority shareholder of the Company's associate company, namely Kedah Synergy Limited. It is a household products manufacturer and exporter that supplies quality household products and produces homewares, beauty and bath sets, bags, shoes, toys, garment, clothing and fashion accessories. Its ultimate beneficial owner is Mr. Cheng Tsin Ki, who is an Independent Third Party.

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

The Lenders and their respective ultimate beneficial owners (where applicable) 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 has been 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.

LETTER FROM THE BOARD

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. The basis for determining the interest rate took into account of, *inter alia*, the effective interest rate of the Group’s interest-bearing borrowings, which ranged from 3.42% to 20.9% as at 31 March 2021. Such interest rate range was comprised of (i) the interest rate of banks ranging from 3.42% to 3.75%; and (ii) the interest rate of other financial institutions ranging from 19.31% to 20.9% as at 31 March 2021.

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).

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 normal commercial terms and are fair and reasonable, and in the interest of the Company and its Shareholders as a whole but may be subject to further revision upon completion of the Loan Due Diligence. The Loan Lender, its beneficial owner and associates are Independent Third Parties and are not Shareholders. Mr. Wong became acquainted with the ultimate beneficial owner and the sole director of the Loan Lender, Mr. Wu Arthur through the introduction by his cousin, Mr. Wu Shang Tun Mason. The Loan Lender is not acting in concert with the Subscriber pursuant to the Takeovers Code. Save and except for providing the Potential Loan, the Loan Lender and its sole ultimate beneficial owner (i) have neither relationship nor prior business relationship; and (ii) have not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Company and its connected persons as defined in the Listing Rules.

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

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION, THE CONNECTED CONVERSION AND THE SETTLEMENT

Statutory demands received by the Company

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 creditors and the Company has been demanded to repay overdue indebtedness, otherwise the Company may be subject to bankruptcy. Set out below are the details of statutory demands received by the Company.

Name of the creditors	Date of statutory demands	Indebtedness amount as at the Latest Practicable Date	Status as at the Latest Practicable Date
CCBI	7 August 2020	HK\$67,072,963.08	CCBI indicated its intention: <ul style="list-style-type: none">to join the Scheme proposed by the Company (<i>Note</i>); andnot to further dispose the pledged Share held by Mr. Wong.
The Hongkong and Shanghai Banking Corporation Limited (“ HSBC ”)	19 August 2020	HK\$35,020,086.93	HSBC indicated its intention not to take further action in light of the potential repayment to be funded by the net proceeds from the Subscription.
Great Focus International Limited and Peaceful Clear Limited (collectively “ STI ”)	14 October 2020	HK\$65,119,385.91	STI indicated their intentions to join the Scheme proposed by the Company (<i>Note</i>).
Hitachi Capital (Hong Kong) Limited (“ Hitachi ”)	27 October 2020	HK\$17,340,161.94	Hitachi has not taken any further actions.

Note: For further details about the Scheme, please refer to the section headed “The Scheme” in the Letter from the Board of this circular.

LETTER FROM THE BOARD

Difficulties in obtaining financing alternatives

In light of the adverse financial situations, 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 have been seeking fund raising sources. Nevertheless, the Group has experienced extreme difficulties with the high level of loans and borrowings and the high gearing ratio of approximately 329.1% as at 31 March 2021 compared with 77.7% as at 31 March 2020. The cash flow position and the net current liabilities position of the Group, coupled with the high gearing ratio and high level of overdue borrowings of over HK\$190 million which is subject to statutory demands for immediate repayment, create additional practical difficulties and uncertainties for potential lenders to assess the credit position and repayment ability of the Group.

The Board 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. Nevertheless, any further debt financing would further increase the gearing of the Company and given the fact that the business of the Group has been deteriorated and statutory demands have been filed against the Company, which triggered cross-default on bank loans, the Company has been turned down by seven commercial banks and 17 non-bank lenders when seeking for debt financing and 14 potential investors indicated no interest in subscribing for any notes and convertible bonds issued by the Company since the year of 2019.

As such, even though the Group has exhausted all other means to resolve the current situation since the year of 2020, the total funding raised through loans, placing and sales of a subsidiary by the Company was approximately HK\$54.8 million, which was not sufficient to settle the outstanding overdue debts.

Based on the above, the Board believes it would be impracticable to raise capital solely through debts without strengthening its equity. The Company proposed a comprehensive rescue plan, in which 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 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.

LETTER FROM THE BOARD

The Company has initially considered to raise equity capital through rights issue or open offer or placing. 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 its support is based on the Financier's risk appetite, *inter alia*, the absolute certainty on the number of Shares to ensure Mr. Wong could obtain controlling interest in the Company which would serve as security for the financing provided by the Financier. As such, 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 shareholding requirement 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 nine independent financial institutions to negotiate potential underwriting and/or placing in similar size as to the Subscription. Two of the independent financial institutions had acted as placing agent of the Company in previous share placements. Unfortunately, none of the financial institutions indicated interest in the potential underwriting and/or placing for the reasons that, *inter alia*, (i) the business operations and financial position of the Group have been deteriorated; (ii) the negative global financial conditions caused by the outbreak of COVID-19; (iii) the bankruptcy risk indicated by the various statutory demands filed against the Company; and/or (iv) the uncertainty of the Group to make a turnaround from its financial adversity and to implement the rescue plan. Furthermore, as opposed to the Subscription, the Company also considered that there would be customary underwriting fees to be paid to underwriters, which would incur further unnecessary expenses of the Company; and
- 3) as indicated in the section headed "POSSIBLE DEBT FINANCING ARRANGEMENT" in the Letter from the Board of this circular, the Loan Lender would require the Subscriber and Mr. Wong to act as the 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 debt 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.

LETTER FROM THE BOARD

In view of the above, the Board considers that the Subscription, compared to rights issue or open offer or placing, is the preferred financing method for the Group taking into account of the above reasons and the current corporate rescue plan, which consists of the Subscription, the Connected Conversion, the Settlement, the Potential Loan and the Scheme, is the only available option to the Company to solve the financial adversity.

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 from 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\$86.3 million for repayment of outstanding debts of the Group; and (ii) the remaining balance of approximately HK\$18.7 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 Board 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.

The Scheme

The Scheme aims to settle certain outstanding principal of liabilities of the Company over a period of two and a half years, irrespective of whether such liabilities have become overdue and/or any statutory demands have been served by the relevant creditors against the Group. The Scheme also aims to waive any interests accrued on such liabilities. As at the Latest Practicable Date, the outstanding amount of the liabilities subject to the Scheme was approximately HK\$222.7 million, comprising an aggregate principal amount of approximately HK\$161.5 million and an aggregate accrued interests of approximately HK\$61.2 million which is subject to the proposed waiver under the Scheme. Among the aggregate principal amount of approximately HK\$161.5 million of the liabilities to be settled under the Scheme, approximately HK\$141.5 million has become overdue. All of the creditors in relation to the Scheme have indicated intention to join the Scheme and conditionally agreed with the principal terms.

LETTER FROM THE BOARD

The principal terms of the Scheme include, in broad terms, a compromise of the relevant amounts due and/or owing by the Company and its operating subsidiary and, in return, the indebtedness of the Company and its operating subsidiary shall be settled via the net cash flows to be generated by the group of companies under the Company over a period of two and a half years in the total amount equivalent to the outstanding principal of all the outstanding liabilities as at the Effective Date, in the following manner:

- (i) the Company shall pay 5% of the total outstanding principal owed by the Company to the Scheme creditors into the trust account of the Scheme on the Effective Date;
- (ii) the Company shall pay 40% of the total outstanding principal owed by the Company to the Scheme creditors into the trust account of the Scheme prior to the first anniversary of the Effective Date;
- (iii) the Company shall pay 40% of the total outstanding principal owed by the Company to the Scheme creditors into the trust account of the Scheme prior to the second anniversary of the Effective Date; and
- (iv) the Company shall pay 15% of the total outstanding principal owed by the Company to the Scheme creditors into the trust account of the Scheme prior to two and a half years from the Effective Date.

Since part of the net proceeds from the Subscription is expected to be used as repayment under the Scheme, the Company will proceed with the Scheme upon Subscription Completion.

USE OF PROCEEDS

The Company intends to apply the net proceeds of approximately HK\$105 million from the Subscription as to (i) approximately HK\$86.3 million for repayment of outstanding debts of the Group; and (ii) the remaining balance of approximately HK\$18.7 million for general working capital of the Group.

The repayment of debts:

The principal use of proceeds from the Subscription is repayment of debts of the Group. Set out below are (i) the expected repayment schedule of the Group with estimated net proceeds from the Subscription; and (ii) the breakdown of use of net proceeds from the Subscription for the repayment of debts to its creditors, which none of them is Shareholders.

LETTER FROM THE BOARD

Period	Expected amount of loan repayment of the Group (approximate)	
	Not subject to the Scheme:	Subject to the Scheme:
Date of the Connected Issue Completion to		
31 March 2022	HK\$47.1 million	HK\$19.5 million
1 April 2022 to 30 June 2022	HK\$6.8 million	HK\$7.4 million
1 July 2022 to 30 September 2022	<u>HK\$4.2 million</u>	<u>HK\$1.3 million</u>
 Sub-total	 HK\$58.1 million	 <u>HK\$28.2 million</u>
 Aggregate Amount		 <u>HK\$86.3 million</u>
	Expected repayment made from the net proceeds from the Subscription (approximate)	Due date of the debts
Name of the creditors		
The Hongkong and Shanghai Banking Corporation Limited	HK\$34.4 million	Overdue
Professional fee		
– Legal services	HK\$9.6 million	31 December 2021
– Financial services	HK\$8.1million	31 December 2021
– Secretarial and share registry services	HK\$0.2 million	31 December 2021
– Others	HK\$1.1 million	31 December 2021
Blue Mountain Bridge Capital SPC	HK\$13.3 million	Overdue
Kedah Company Limited	HK\$5.1 million	Overdue
Tax	HK\$4.3 million	Overdue
BSEE Renewables Malaysia Sdn. Bhd.	HK\$4.0 million	24 February 2022
Great Focus International Limited and Peaceful Clear Limited	HK\$2.3 million	Overdue
CCBI	HK\$1.7 million	Overdue
SZ Hongdao Lighting Technology Ltd.	HK\$0.8 million	Overdue
Jakaa Limited	HK\$0.7 million	Overdue
Hitachi Capital (Hong Kong) Limited	HK\$0.6 million	Overdue
Hang Seng Bank	<u>HK\$0.1 million</u>	Overdue
 Aggregate Amount		 <u>HK\$86.3 million</u>

LETTER FROM THE BOARD

As at the Latest Practicable Date, the total amount of outstanding debts of the Group is approximately HK\$340.9 million, of which (i) approximately HK\$60.1 million would be settled by the issue of Conversion Shares and the Settlement Shares in aggregate; (ii) approximately HK\$222.7 million would be settled subject to the Scheme; and (iii) the balance of approximately HK\$58.1 million would be repaid by the net proceeds from the Subscription not subject to the Scheme.

For further details about the Scheme, please refer to the section headed “The Scheme” in the Letter from the Board of this circular.

General working capital of the Group:

Set out below is the breakdown of the use of net proceeds for general working capital.

Items	Expected amount made for the working capital from the net proceeds from the Subscription (approximate)
Operating expenses	HK\$7.0 million
Malaysia Odesi Integrası Sdn Bhd lighting equipment project	HK\$2.0 million
Dominican Republic solar project	HK\$1.0 million
South Africa lighting equipment project	HK\$2.7 million
Hong Kong solar projects:	
– Dorsett Hotel Group (8 hotels)	HK\$3.0 million
– Dairy Farm Group	HK\$1.0 million
– Harrow International School	<u>HK\$2.0 million</u>
Aggregate Amount	<u>HK\$18.7 million</u>

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. As such, the Company is not in any negotiation or has any intention or plan to (i) dispose of its existing businesses; or (ii) acquire any new business.

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

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past twelve months immediately prior to the Latest Practicable Date.

EFFECT ON THE SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; 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 between the Latest Practicable Date and the date of the Connected Issue Completion and the Settlement Completion):

Name of the Shareholder	Shareholding as at the Latest Practicable Date		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, 3)	53,249,204	8.03%	1,153,249,204	48.79%
Mpplcation (Note 3)	–	–	10,080,000	0.43%
Mr. Lam (Notes 1, 2)	–	–	20,154,000	0.85%
Ms. Yeung Betty (Notes 4)	2,418,000	0.36%	2,418,000	0.10%
Sub-total of the Subscriber and parties acting in concert with it	55,667,204	8.39%	1,282,411,204	54.25%
First Fidelity Capital (International) Limited (Note 7)	–	–	238,908,000	10.11%
Public Shareholders:				
Mr. Cheung Yick Hung Jackie (Notes 5, 6)	100,000	0.02%	100,000	0.00%
Ms. Yu Sze Wan Gisela (Note 7)	–	–	22,778,000	0.96%
Red Hill Investment (BVI) Ltd (Note 7)	–	–	105,370,000	4.46%
Mr. Tong Man Chun (Note 7)	–	–	12,068,000	0.51%
Kedah Company Limited (Note 7)	–	–	50,000,000	2.12%
Ms. Wu Chit Wai (Note 7)	–	–	45,072,000	1.91%
Other public Shareholders	607,038,796	91.59%	607,038,796	25.68%
Total	662,806,000	100.00%	2,363,746,000	100.00%

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, each of Mr. Wong and Mr. Lam holds 5,500,000 Share Options which are exercisable from 2 April 2020 to 1 April 2022.
2. As at the Latest Practicable Date, 53,249,204 Shares owned by the Subscriber 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 36,114,437 pledged Shares owned by Mr. Lam in the Relevant Period. CCBI has the right to continue to sell the remaining pledged Shares owned by the Subscriber until the CCBI Note is fully settled.
3. Each of the Subscriber and Mpplication is wholly and beneficially owned by Mr. Wong.
4. As at the Latest Practicable Date, 2,418,000 Shares are owned by Ms. Yeung Betty, mother of Mr. Lam.
5. Mr. Cheung Yick Hung Jackie is an independent non-executive Director.
6. As at the Latest Practicable Date, 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.
7. 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

Listing Rules implications

As at the Latest Practicable Date, each of the Subscriber and Mpplication is beneficially wholly owned by Mr. Wong, an executive Director. Therefore, each of the Subscriber, Mr. Wong and Mpplication is a connected person of the Company pursuant to the Listing Rules. Mr. Lam is an executive Director and is also a connected person of the Company pursuant to the Listing Rules. Given that the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional, Mr. Wong and Mr. Lam are interested in the Subscription, the Connected Conversion, the Settlement and the Whitewash Waiver. 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 the Specific Mandate and the Whitewash Waiver.

LETTER FROM THE BOARD

Accordingly, given that the Subscriber, Mr. Wong, Mpplication and Mr. Lam are connected persons of the Company pursuant to the Listing Rules, the Subscription Agreement, the Connected Conversion Agreements, the granting of 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.

Each of the Lenders and their respective ultimate beneficial owners are not connected persons of the Company and are Independent Third Parties. Also, the Company or its connected person has not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Lenders or their respective ultimate beneficial owners. However, given that the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional, the Subscriber 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 granting of 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.

The Subscription Shares, the Conversion Shares and the Settlement 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.

Save as disclosed above, as at the Latest Practicable Date, 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 the Specific Mandate and the Whitewash Waiver.

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.

LETTER FROM THE BOARD

Dilution effect of the Subscription, the Connected Conversion and the Settlement and exceptional circumstances

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 as detailed below. 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.

Set out below are the details of the exceptional circumstances of the Group.

(i) Adverse financial position and the business prospect

According to the annual report of the Company for the year ended 31 March 2021 (the “**Year 2021**”), the business and the financial performances of the Group were adversely affected by the outbreak of COVID-19. The Group recorded a decline of more than 57% turnover as compared with the year ended 31 March 2020 (the “**Year 2020**”). Such decrease was primarily due to the decrease in revenue in the trading energy saving products segment derived from the customers in locations such as Malaysia, Japan, Australia and Hong Kong. Under such adverse business environment, the loss attributable to the owners of the Company increased by approximately 154.9%, from a loss of approximately HK\$109.8 million for the Year 2020 to a loss of approximately HK\$279.8 million for the Year 2021. The Group also recorded net current liabilities of more than HK\$91.0 million as at 31 March 2021, as opposed to a net assets position of approximately HK\$87.2 million as at March 2020, representing a drop of over 200%. The net current liabilities position is mainly due to, *inter alia*, (i) the significant decrease of approximately 39.6% in trade and finance lease receivables from approximately HK\$341.7 million as at 31 March 2020 to approximately HK\$206.3 million as at 31 March 2021; and (ii) the substantial increase of approximately 51.9% in accruals, other payable and deposit received from approximately HK\$90.5 million as at 31 March 2020 to approximately HK\$137.5 million as at 31 March 2021.

In light of the financial position and the impacts of the outbreak of COVID-19 on the business operation, the Group was in financial difficulties and its auditor expressed a disclaimer of opinion in relation to the appropriateness of the going concern basis on the consolidated financial statements of the Group for each of the Year 2021 and Year 2020.

LETTER FROM THE BOARD

Given that the business disruption was mainly attributable to the outbreak of COVID-19, which is temporary, the Board believes that the long-term prospect of the energy saving and management industry is expected to remain. It is a global demand for more energy efficiency products and carbon neutral initiatives to unlock the saving potential and offset the adverse environmental impact in order to meet the ultimate climate change target and to achieve sustainable growth. As a result, the Board expects that it would give a positive signal to the business partners and the progress of the potential projects could be speeded up if the rescue plan is materialized, making the business of the Group could turn around in the coming one to two years.

(ii) Rescue plan regarding the imminent bankruptcy risk of the Group

The Company has received a number of statutory demands from its creditors and the Company has been demanded to repay overdue indebtedness of HK\$190 million more than one year ago. Pursuant to Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), if the Company is unable to repay the relevant indebtedness within 21 days from the date of service of the relevant statutory demands, each of the relevant creditors is entitled to present a winding-up petition against the Company at any time at discretion. As a matter of fact, the Company is currently unable to repay the relevant overdue indebtedness given the insufficient cash balance of approximately HK\$8.2 million as at 31 March 2021 and the overall adverse financial position stated above.

With a view of the potential bankruptcy petitions, the Board has proposed a comprehensive corporate rescue plan, which consists of the Subscription, the Connected Conversion, the Settlement, the Potential Loan and the Scheme, in order to raise funds for repayment of overdue indebtedness and restructure the entire repayment schedule in the immediate future. The Subscription serves as a mean of raising fund for the Group. As stated in the section headed “USE OF PROCEEDS” in the Letter from the Board of this circular, an aggregate net proceeds of approximately HK\$86.3 million will be utilized for repayment of the Group’s outstanding debts. The Connected Conversion and the Settlement are means of lowering the liabilities by approximately HK\$12.8 million and HK\$48.0 million of the Group, respectively. The Company is also currently in negotiation with its creditors in relation to the Scheme which aims to settle the outstanding principal of liabilities over a period of two and a half years, regardless whether such liabilities have become overdue and/or whether the relevant creditors have already served statutory demands against the Group. As a matter of fact, all of the creditors in relation to the Scheme, including most of the creditors filed statutory demands against the Company have expressed either written or verbal support to the Scheme and have conditionally agreed with the principal terms. Since part of the net proceeds from the Subscription is expected to be used as repayment under the Scheme, the Company will proceed with the Scheme upon Subscription Completion. Lastly, the Potential Loan serves as an additional financing to increase the liquidity of the Group.

LETTER FROM THE BOARD

To conclude, the corporate rescue plan, if materialize, would resolve the bankruptcy risk that the Group would no longer be under threat from its creditors to demand immediate repayment and/or to present a winding up petition against the Company.

(iii) Difficulties in obtaining financing alternatives

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. However, the Group has experienced difficulties in obtaining both debt and equity financing. When considering debt financing, the lenders would be based on various factors, in particular, the current financial position and the credit review of the Group. Since the Group is currently in serious financial difficulties and already received a number of statutory demands, the potential lenders are reluctant to finance the Group. The Group has also considered equity financing alternatives, yet the Company could not engage placing agents or underwriters to assist in equity fund raising activities. For further details about the difficulties in obtaining alternative equity financing, please refer to the section headed “REASONS FOR THE SUBSCRIPTION, THE CONNECTED CONVERSION AND THE SETTLEMENT” in the Letter from the Board of this circular.

As such, the Board believes that the Subscription offers the best available way for the Group to raise fund, as (i) there are difficulties for the Group to obtain financing from other sources under the current circumstances; and (ii) the investment and support by Mr. Wong can meet the shareholding requirement which is generally imposed by any rational lender, making the Company could further raise funding (i.e. the Potential Loan).

In light of the above, there are practical difficulties to issue the Subscription Shares, Conversion Shares and the Settlement Shares without a substantial discount for the reasons that (i) the adverse financial difficulties largely limit the bargaining power of the Board; (ii) the Company is in need of a rescue plan to mitigate the bankruptcy risk; and (iii) there was no better funding alternatives to the Company and Shareholders as a whole. As such, the Board considers that there are exceptional circumstances for the Company to undertake the Subscription, the Connected Conversion and the Settlement resulting in a theoretical dilution effect of over 25%.

The Stock Exchange has indicated that based on the exceptional circumstances of the Group, the Company can proceed with the Subscription, the Connected Conversion and the Settlement.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE TAKEOVERS CODE

Special Deal no longer apply

As at the Latest Practicable Date, the Group owes Mr. Lam an amount of HK\$2,015,520 arising from the shareholder's loans provided by Mr. Lam for financing the Group's general working capital as the Group faced difficulties in obtaining funding. Such shareholder's loans 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.

As disclosed in the Joint Announcement, on 15 September 2021, the Company proposed to enter into the Second Connected Conversion Agreement with Mr. Lam, pursuant to which the Company shall allot and issue 20,154,000 Conversion Shares at the Issue Price of HK\$0.1 per Conversion Share to Mr. Lam in settlement of the corresponding amount of outstanding shareholder's loans, representing approximately 0.85% 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. Details of which were included in the section headed "THE CONNECTED CONVERSION AGREEMENTS" in the Letter from the Board of this circular.

Mr. Lam is a party acting in concert with the Subscriber and was beneficially interested in 29,800,000 Shares as at 15 September 2021, the date on which the Company proposed to enter into the Second Connected Conversion Agreement with Mr. Lam. As such the transaction contemplated under the Second Connected Conversion Agreement represented a favourable condition that was not extended to all Shareholders, which would constitute a special deal under Rule 25 of the Takeovers Code and hence would require the consent of the Executive.

However, as disclosed in the joint announcement issued by the Company and the Subscriber dated 20 September 2021, Mr. Lam is no longer a Shareholder as a result of the Forced Disposals. As such, the transaction contemplated under the Second Connected Conversion Agreement no longer represents a favourable condition that is not extended to all Shareholders, and as a result, the Special Deal is no longer applicable in relation to the Second Connected Conversion Agreement. In light of this, conditions precedent of each of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements have been revised accordingly.

LETTER FROM THE BOARD

The Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it are interested in aggregate of 55,667,204 Shares, representing approximately 8.39% 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 8.39% to a maximum of 54.25% 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 Latest Practicable Date 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.

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and the Conversion Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it and other Shareholders who are involved or interested in the Subscription, the Connected Conversion, the Specific Mandate and the Whitewash Waiver shall abstain from voting on the respective resolutions at the EGM. Therefore, the Subscriber and Ms. Yeung Betty, who are interested in a total of 55,667,204 Shares, representing approximately 8.39% of the issued share capital of the Company, shall abstain from voting on the resolutions approving the Subscription, the Connected Conversion, the Specific Mandate and the Whitewash Waiver at the EGM.

Save as disclosed above, no other Shareholder is required to abstain from voting on any of the resolutions at the EGM.

The resolutions for (i) the Subscription Agreement, the Connected Conversion Agreements and the Specific Mandate shall be approved by way of ordinary resolution (representing more than 50% of the votes casted by Independent Shareholders either in person or by proxy at the EGM by way of poll); and (ii) the Whitewash Waiver shall be approved by way of special resolution (representing more than 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll). Connected Issue Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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 and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). 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 and the Whitewash Waiver do not comply with other applicable rules and regulations.

The Executive may or may not grant the Whitewash Waiver and in the event that the Whitewash Waiver is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed. The Whitewash Waiver, if granted, will be subject to approval by at least 75% of the votes cast by Independent Shareholders (either in person or by proxy) at the EGM. As obtaining 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, in the event that the Whitewash Waiver is not granted or not approved by at least 75% of the votes cast by Independent Shareholders at the EGM, the Subscription, the Connected Conversion and the Settlement will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders and the Connected Issue Completion occurs, the aggregate shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Disqualifying transactions and 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 Joint Announcement and the Connected Issue Completion. As disclosed in the section headed "EFFECT ON THE SHAREHOLDING STRUCTURE" in the Letter from the Board of this circular, as at the Latest Practicable Date, a total of 53,249,204 Shares owned by the Subscriber 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 36,114,437 pledged Shares owned by Mr. Lam during the Relevant Period.

LETTER FROM THE BOARD

Details of the Forced 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 Forced 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
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

LETTER FROM THE BOARD

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 Forced 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)
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
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

LETTER FROM THE BOARD

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 Forced 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 September 2021	29,800,000	198,000	0.3500	69,300.00	29,602,000
	29,602,000	8,000	0.3550	2,840.00	29,594,000
	29,594,000	194,000	0.3600	69,840.00	29,400,000
	29,400,000	19,608,000	0.3650	7,156,920.00	9,792,000
	9,792,000	5,128,000	0.3700	1,897,360.00	4,664,000
	4,664,000	350,000	0.3750	131,250.00	4,314,000
	4,314,000	384,000	0.3800	145,920.00	3,930,000
	3,930,000	396,000	0.3850	152,460.00	3,534,000
	3,534,000	364,000	0.3900	141,960.00	3,170,000
	3,170,000	182,000	0.3950	71,890.00	2,988,000
	2,988,000	1,594,000	0.4000	637,600.00	1,394,000
	1,394,000	158,000	0.4050	63,990.00	1,236,000
	1,236,000	210,000	0.4100	86,100.00	1,026,000
	1,026,000	684,000	0.4150	283,860.00	342,000
	342,000	190,000	0.4200	79,800.00	152,000
	152,000	10,000	0.4250	4,250.00	142,000
	142,000	10,000	0.4300	4,300.00	132,000
	132,000	10,000	0.4350	4,350.00	122,000
	122,000	50,000	0.4400	22,000.00	72,000
	72,000	72,000	0.4450	32,040.00	0
Aggregate Amount		<u>36,114,437</u>		<u>13,740,154.47</u>	

An application to the Executive has been made by the Subscriber for the consent on the disposals, which include the Forced Disposals and any future disposals by CCBI (collectively “**Future Disposals**”), and the Executive has granted such consent on 14 September 2021. Further announcement(s) will be made by the Company as and when applicable if any Future Disposals by CCBI take place.

LETTER FROM THE BOARD

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 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 the Latest Practicable Date:	Approximately HK\$67,072,963.08
Purpose of the Issue of the CCBI Note:	For the Group's South Africa projects for purchasing products
Outstanding Collateral as at the Latest Practicable Date:	53,249,204 Shares, representing the entire interests owned by the Subscriber
	<i>For the avoidance of doubt, the Subscription Shares and the Conversion Shares to be issued to the Subscriber 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

CCBI has verbally agreed that, given that the relevant approval from the 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 could be obtained by the Company, it would not further dispose any Shares beneficially held by the Subscriber which were previously pledged as the Collateral.

LETTER FROM THE BOARD

OTHER INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Subscriber has confirmed that, as at the Latest Practicable Date, 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, save for (i) 55,667,204 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 the Letter from the Board of this circular; and (ii) all the transactions contemplated under the Subscription Agreement and the Connected Conversion Agreements as disclosed in the sections headed “THE SUBSCRIPTION AGREEMENT” and “THE CONNECTED CONVERSION AGREEMENTS”, in the Letter from the Board of this circular;
- (ii) has dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares of the Company during the Relevant Period, save for the Forced Disposals;
- (iii) has obtained 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 and the transactions contemplated thereunder, including the granting of the Specific Mandate and 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 and the transactions contemplated thereunder, including the granting of the Specific Mandate and 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 and the transactions contemplated thereunder, including the granting of the Specific Mandate and 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date:

- (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) 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 Forced Disposals set out in the section headed "Disqualifying transactions and the Executive's consent" in the Letter from the Board of this circular, 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 associates and ultimate beneficial owner, has acquired any voting rights in the Company or dealt in any securities of the Company during the Relevant Period.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver, namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony, 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 and the Whitewash Waiver.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out in the Letter from the Independent Financial Adviser in this circular, considers that, although the transactions contemplated under the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are not in the ordinary course of business of the Group, (a) the terms and conditions of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate (including the issuance of the Subscription Shares, Conversion Shares and Settlement Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (b) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver.

The Independent Financial Adviser has been appointed with the approval of 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 the Specific Mandate and the Whitewash Waiver.

The Independent Financial Adviser is of the opinion that, although the transactions contemplated under the Subscription Agreement, Connected Conversion Agreements and the Settlement Agreements are not in the ordinary course of business of the Group, (a) the terms and conditions of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder (including the issuance of the Subscription Shares, the Conversion Shares and the Settlement Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (b) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Financial Adviser advises the Independent Board Committee to recommend, and itself also recommends, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver.

LETTER FROM THE BOARD

THE EGM

The EGM is 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 the Specific Mandate and the Whitewash Waiver.

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, Mr. Lam and their respective associates and parties acting in concert with them (including Ms. Yeung Betty), who are interested in an aggregate of 55,667,204 Shares, representing approximately 8.39% of the total issued share capital of the Company, 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 the Specific Mandate and the Whitewash Waiver.

A notice convening the EGM to be held at 23/F, Konnect, 303 Jaffe Road, Wan Chai, Hong Kong on 8 December 2021 at 11:45 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 6 December 2021 at 11:45 a.m. (Hong Kong time). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

RECOMMENDATION

Your attention is drawn to (i) the Letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver; and (ii) the Letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser but excluding Mr. Wong and Mr. Lam for the reasons described hereinabove) considers that the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transaction contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser but excluding Mr. Wong and Mr. Lam) recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transaction contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

The Subscription, the Connected Conversion and the Settlement are subject to the fulfilment (or waiver, if applicable) of a number of conditions precedent set out under in the relevant sections in this circular, including approval at the EGM by the Independent Shareholders of the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver, and the granting of the Whitewash Waiver by the Executive. As such, the Subscription, the Connected Conversion and the Settlement may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.



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)

15 November 2021

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 15 November 2021 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed to form the Independent Board Committee to advise you in respect of the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver, details of which are set out in the Letter from the Board contained in the Circular. The Independent Financial Adviser has been appointed to advise you and us in this regard. Details of the advice and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice, are set out in the Letter from the Independent Financial Adviser contained in the Circular.

We wish to draw your attention to the Letter from the Board, as set out on pages 10 to 59 of the Circular, the letter from the Independent Financial Adviser, as set out on pages 62 to 99 of the Circular and the additional information set out in the appendices thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transaction contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver, and the advice given by the Independent Financial Adviser, we are of the opinion that the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transaction contemplated thereunder, including the Specific Mandate and the Whitewash Waiver are not in the ordinary course of business of the Group, but are on normal commercial terms, in the interests of the Company and the Independent Shareholders as a whole, and terms of which are fair and reasonable as insofar as the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve, among other things, the Subscription, the Connected Conversion, the Settlement and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,

On behalf of the Independent Board Committee of
Synergy Group Holdings International Limited

Mr. Chung Koon Yan

*Independent Non-executive
Director*

Mr. Cheung Yick Hung

Jackie

*Independent Non-executive
Director*

Mr. Wong Chi Ying

Anthony

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Independent Financial Adviser setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4/F Connaught Harbourfront House
35 Connaught Road West,
Sheung Wan, Hong Kong

15 November 2021

*To the Independent Board Committee and the Independent Shareholders of
Synergy Group Holdings International Limited*

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 15 November 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Group has outstanding debts owed to Mr. Wong and Mpplication in the amount of approximately HK\$9,651,020 and HK\$1,148,000, respectively, and shareholder's loans owed to Mr. Lam in the amount of approximately HK\$2,015,520. The aggregate amount of outstanding debts under the Connected Conversion is HK\$12,786,540. 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 shall 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 the Connected Conversion Completion.

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.

IMPLICATIONS UNDER THE LISTING RULES

Listing Rules implications

As at the Latest Practicable Date, Mr. Wong and Mr. Lam are executive Directors and each of the Subscriber and Mpplication is beneficially wholly owned by Mr. Wong. Therefore, each of the Subscriber, Mr. Wong and Mpplication is a connected person of the Company pursuant to the Listing Rules. Mr. Lam is an executive Director of the Company and is also a connected person of the Company pursuant to the Listing Rules. Given that the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional, Mr. Wong and Mr. Lam are interested in the Subscription, the Connected Conversion, the Settlement and the Whitewash Waiver. 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 and the Whitewash Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, given that the Subscriber, Mr. Wong, Mpplication and Mr. Lam are connected persons of the Company pursuant to the Listing Rules, the Subscription Agreement, the Connected Conversion Agreements, the granting of 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.

Each of the Lenders and their respective ultimate beneficial owners are not connected persons of the Company and are Independent Third Parties. Also, the Company or its connected person has not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Lenders or their respective ultimate beneficial owners. However, given that the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are inter-conditional, the Subscriber 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 granting of 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.

The Subscription Shares, the Conversion Shares and the Settlement 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.

Save as disclosed above, as at the Latest Practicable Date, 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 the Specific Mandate and the Whitewash Waiver.

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, Mr. Lam and their respective associates and parties acting in concert with them (including Ms. Yeung Betty), who are interested in an aggregate of 55,667,204 Shares, representing approximately 8.39% of the total issued share capital of the Company, 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 the Specific Mandate and the Whitewash Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dilution effect of the Subscription, the Connected Conversion and the Settlement and exceptional circumstances

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 have been stated in the section headed “Dilution effect of the Subscription, the Connected Conversion and the Settlement and exceptional circumstances” in the Letter from the Board. 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.

Please refer to the section headed “Dilution effect of the Subscription, the Connected Conversion and the Settlement and exceptional circumstances” in the Letter from the Board for further details.

IMPLICATIONS UNDER THE TAKEOVERS CODE

The Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it are interested in aggregate of 55,667,204 Shares, representing approximately 8.39% 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 8.39% to a maximum of 54.25% 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 Latest Practicable Date 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and the Conversion Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it and other Shareholders who are involved or interested in the Subscription Agreement, the Connected Conversion Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver shall abstain from voting on the respective resolutions at the EGM. Therefore, the Subscriber and Ms. Yeung Betty, who are interested in a total of 55,667,204 Shares, representing approximately 8.39% of the issued share capital of the Company, shall abstain from voting on the resolutions approving the Subscription Agreements, the Connected Conversion Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver at the EGM.

Save as disclosed above, to the best of the Director's knowledge, information and belief and having made all reasonable enquiries, no other Shareholder is required to abstain from voting on any of the resolutions at the EGM.

The resolutions for (i) the Subscription Agreement, the Connected Conversion Agreements and the granting of the Specific Mandate shall be approved by way of ordinary resolution (representing more than 50% of the votes casted by Independent Shareholders either in person or by proxy at the EGM by way of poll); and (ii) the Whitewash Waiver shall be approved by way of special resolution (representing more than 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll). The Connected Issue Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

Disqualifying transactions and 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 Joint Announcement, the Subscription Completion and the Connected Conversion Completion. As disclosed in the section headed "EFFECT ON THE SHAREHOLDING STRUCTURE" in Letter from the Board as at the Latest Practicable Date, a total of 53,249,204 Shares owned by the Subscriber 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 36,114,437 pledged Shares owned by Mr. Lam during the Relevant Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An application to the Executive has been made by the Subscriber earlier for the consent on the disposals, which include the Forced Disposals and any future disposals by CCBI (Collectively “**Future Disposals**”), and the Executive has granted such consent on 14 September 2021. Further announcement(s) will be made by the Company as and when applicable if any Future Disposals by CCBI take place.

Please refer to the section headed “Disqualifying transactions and application for the Executive’s consent” and “Further details of the CCBI Note” in the Letter from the Board for further details.

Please also refer to the section headed “OTHER INFORMATION REQUIRED UNDER THE TAKEOVERS CODE” in the Letter from the Board for further details.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony, 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 and the Whitewash Waiver and to advise the Independent Shareholders on the voting at the forthcoming EGM taking into account the advice of the Independent Financial Adviser.

We, Draco Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise 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 and the Whitewash Waiver and to make recommendations as to, among others, whether the terms of the Subscription, the Connected Conversion, the Settlement, the granting of the Specific Mandate and the Whitewash Waiver are fair and reasonable and as to the voting thereon. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

INDEPENDENCE

During the last two years, there was no engagement between the Company or the Subscriber and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the Subscriber or any of its subsidiaries or their respective associates, and any parties acting in concert with them. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, there is no financial and business relationship between us and the Directors, chief executives of the Company, substantial Shareholders and the Subscriber or any of their respective subsidiaries or associates, and any parties acting in concert with them, and are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all statements, information and representations provided by the executive Directors and the non-executive Directors and/or the representatives of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as well as this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription, the Connected Conversion, the Settlement, the granting of the Specific Mandate and the Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 Information on the Group

1.1 Information on the Group

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial performance on the Group

Set out below are the financial results of the Group extracted from the annual report of the Company for the year ended 31 March 2021 (“FY2021”) (the “Annual Report 2021”):

	For the year ended 31 March		YOY changes
	2021	2020	
	HK\$'000 (audited)	HK\$'000 (audited)	%
Revenue	53,784	126,547	(57.50)
Revenue from contracts with customer within the scope of HKFRS 15	43,958	115,386	(61.90)
– Trading of energy saving products	24,873	96,121	(74.12)
– Consultancy service income	19,085	19,265	(0.93)
Revenue from other sources	9,826	11,161	(11.96)
– Leasing service income	9,826	11,161	(11.96)
Gross profit	26,376	70,108	(62.38)
Other income	19,676	5,180	279.85
Administrative expenses	(25,166)	(59,513)	(57.71)
Selling and distribution costs	(3,448)	(5,285)	(34.76)
Finance costs	(55,526)	(18,729)	196.47
Other expenses	(278,226)	(108,583)	156.23
Share of results of associates	9,551	2,371	302.83
Loss for the year from continuing operations	(282,534)	(108,915)	159.41
Loss for the year attributable to:			
– Owners of the Company	(282,534)	(111,140)	154.21
– Non-controlling interests	(279,797)	(109,762)	154.91
	(2,737)	(1,378)	98.62

With reference to the Annual Report 2021, the total revenue of the Group was approximately HK\$53.8 million for FY2021, representing a decrease of approximately 57.5% as compared to that for the year ended 31 March 2020 (“FY2020”). The decrease in revenue was due to the drop in customer demand and the delays in delivery of products as the customers and the distributors were adversely affected by the negative economic effects from the escalating uncertainty in the international trade policy, the global financial conditions, and the outbreak of COVID-19 during the period. Gross profit margin decreased to approximately 49.0% for FY2021 compared to approximately 55.4% for FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that other income and gains for FY2021 of approximately HK\$19.7 million mainly included the currency exchange gain of HK\$15.4 million and the Government grants of Enterprise Support Scheme of approximately HK\$1.5 million. The increase was mainly due to the increase in unrealised foreign exchange gain derived from the revaluation of balances in foreign currencies mainly as a result of the appreciation of Indonesian rupiah against Hong Kong dollar as at period end date.

The Group's selling and distribution costs for FY2021 were approximately HK\$3.4 million, representing a decrease of approximately 34.76% from approximately HK\$5.3 million for the FY2020. The decrease was mainly due to the net effect of (i) the decrease in salary due to resignations of a few employees during the period; and (ii) the decrease of marketing fee due to less marketing activity was engaged during FY2021.

The Group's administrative expenses for FY2021 were approximately HK\$25.2 million, representing a decrease of approximately 57.71% from approximately HK\$59.5 million for FY2020. The decrease was mainly due to the decrease in unrealised foreign exchange loss derived from the revaluation of balances in foreign currencies from approximately HK\$27.8 million in the FY2020 to Nil in the FY2021.

The Group's finance costs increased to approximately HK\$55.5 million for FY2021 from approximately HK\$18.7 million for FY2020. The increase in approximately HK\$36.8 million was mainly due to that the default interest incurred since the Group was unable to repay some of the overdue borrowings.

We also noted that the Group's other expenses increased to approximately HK\$278.2 million for FY2021 from approximately HK\$108.6 million for FY2020. The increase was mainly due to (i) the provision for impairment loss of financial assets increased to approximately HK\$156.6 million for FY2021 from approximately HK\$51.0 million for FY2020; (ii) the loss on modifications of financial assets of approximately HK\$66.0 million; and (iii) the increase in the provision for impairment of goodwill to approximately HK\$34.6 million during the FY2021 from approximately HK\$32.4 million during the FY2020.

As a result of the foregoing, the loss attributable to the owners of the Company increased by approximately 154.91% from a loss of approximately HK\$109.8 million for FY2020 to a loss of approximately HK\$279.8 million for the year ended 31 March 2021. Excluding some major extraordinary or non-operating income and expenses, the adjusted profit/loss attributable to the owners of the Company decreased by approximately 339.7% from approximately HK\$16.1 million profit for FY2020 to a loss of approximately HK\$38.5 million for the FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Financial position on the Group

Set out below is a summary of the consolidated statements of financial position as at 31 March 2020 and 2021 as extracted from the Annual Report 2021:

	As at 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Non-current assets	161,942	259,262
Current assets	242,948	391,326
– Trade receivables	198,363	328,697
– Due from an associate	19,008	21,003
– Cash and cash equivalents	8,204	9,370
Total assets	404,890	650,588
Non-current liabilities	16,360	31,419
– Notes payable	–	2,600
Current liabilities	333,981	304,087
Trade payables	17,269	11,099
Accruals, other payables and deposits received	137,458	90,545
– Borrowings	82,425	102,010
– Notes payable	76,600	80,000
Total liabilities	350,341	335,506
Net current (liabilities)/assets	(91,033)	87,239
Equity attributable to owners of the Company	62,125	320,022

With reference to the Annual Report 2021, the Group mainly finances its business with internally generated cash flows and bank and other borrowings.

As at 31 March 2021, current assets of the Group amounted to approximately HK\$242.9 million, representing a decrease of 37.9% from approximately HK\$391.3 million as at 31 March 2020. The current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK\$8.2 million (2020: approximately HK\$9.4 million), trade receivables of approximately HK\$198.4 million (2020: approximately HK\$328.7 million), and amount due from an associate of approximately HK\$19.0 million (2020: approximately HK\$21.0 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 March 2021, the Group's current liabilities mainly comprised borrowings of approximately HK\$82.4 million (2020: approximately HK\$102.0 million), notes payable of HK\$76.6 million (2020: HK\$80.0 million), trade payables of approximately HK\$17.3 million (2020: approximately HK\$11.1 million) and accruals, other payables and deposits received of approximately HK\$137.5 million (2020: approximately HK\$90.5 million).

The Group's current ratio decreased from approximately 1.3 times as at 31 March 2020 to approximately 0.7 times as at 31 March 2021. The total outstanding notes payable and borrowings of the Group as at 31 March 2021 was approximately HK\$159.0 million (31 March 2020: approximately HK\$184.6 million), of which approximately HK\$31.6 million (31 March 2020: approximately HK\$57.3 million) was due to banks, approximately HK\$50.8 million (31 March 2020: approximately HK\$44.7 million) was due to independent third parties, and notes payable of approximately HK\$76.6 million (31 March 2020: HK\$82.6 million). The decrease was due to the net effect of repayment of bank and notes payable drawn during the FY2021.

As at 31 March 2021, the Group's net assets were approximately HK\$54.5 million, representing a decrease of 82.7% from approximately HK\$315.1 million as at 31 March 2020.

We also noted that amongst the Group's "accruals, other payables and deposits received", there were settlement payable of approximately HK\$47.1 million as at 31 March 2021. With reference to the Annual Report 2021, the Company issued certain notes to two creditors in 2017, and subsequently entered into a deed of settlement with each of the creditors in respect of the notes on 22 July 2020. Settlement payables become overdue on 22 July 2020. During FY2021, the Company received statutory demands from the legal representatives acting on behalf of each of the creditors in which the creditors are, demanding payment from the Company for its indebtedness under each of the deeds of settlement within 21 days from the date of the statutory demand. As at the date of approval of the consolidated financial statements of the Group for FY2021, the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditors.

In addition, in relation to the borrowings of the Group, (i) secured and guaranteed bank loan of approximately HK\$31.6 million; (ii) secured and guaranteed other loans of approximately HK\$23.1 million; and (iii) unsecured and guaranteed other loans of approximately HK\$12.8 million, were overdue as at 31 March 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to the bank loan whose carrying amount was approximately HK\$28.4 million as at 31 March 2021, the Company received two statutory demands during FY2021 from the legal adviser acting on behalf of the bank, in which the bank is demanding payment from the Group for its indebtedness under certain banking facilities and the related corporate guarantees provided in favour of the bank within 21 days from the respective date of the statutory demand, being the dates of service of the respective statutory demand. As at the date of approval of the consolidated financial statements of the Group for FY2021, the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditors.

In relation to other loans whose carrying amount was HK\$12.5 million as at 31 March 2021, the Company received a statutory demand during the year from the legal adviser acting on behalf of the lender in which the lender is demanding payment from the Group for its indebtedness under a corporate guarantee provided in favour of the lender within 21 days from the date of the statutory demand. As at the date of approval of consolidated financial statements of FY2021, the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditors.

1.4 Auditor's disclaimer of conclusion in Annual Report 2021

The auditors of the Company issued a disclaimer of opinion for the consolidated financial statements of the Group for FY2020 and FY2021. Regarding the disclaimer of opinion for FY2021, the auditors were concerned with the material uncertainties in relation to the Group that may cast significant doubt on the Group's ability as a going concern.

The auditors of the Company stated that in respect of the assumptions that the Group would successfully (i) negotiate with certain creditors for settlement by way of issuance of new shares of the Company; (ii) negotiate with a number of creditors not to exercise their rights to present the winding-up petition against the Company, and (iii) negotiate with certain creditors for debt restructuring by way of which included, but are not limited to, the deferral of the repayment on partial principal to the period after 31 March 2022, the Directors have not provided the auditors the supportable evidence from (i) certain creditors in relation to borrowings of HK\$9,500,000, note payables of HK\$22,600,000, bonds payable of HK\$2,000,000, trade payable of HK\$10,537,000, other payable of HK\$1,207,000 as at 31 March 2021 for their agreement on the settlement by way of issuance of new shares of the Company; (ii) a number of creditors for their agreement not to exercise their rights to execute the winding-up petition against the Company; and (iii) a creditor in relation to note payables of HK\$54,000,000 for agreement on debt restructuring by way of the deferral of the repayment on partial principal to the period after 31 March 2022.

Please refer to the Annual Report 2021 for further details.

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2 Background of the Subscribers, Mr. Wong, Mr. Lam, Mpplication and the Lenders

The Subscriber is a limited liability company incorporated in the BVI and is beneficially wholly owned by Mr. Wong.

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

Mr. Lam is an executive Director.

Mpplication is a limited liability company incorporated in Hong Kong and is beneficially wholly owned by Mr. Wong.

The Lenders comprise 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. The Lenders and their respective ultimate beneficial owners (where applicable) 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.

Please refer to the section headed “INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, MPPLICACION AND THE LENDERS” in the Letter from the Board for further details.

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. As such, the Company is not in any negotiation or has any intention or plan to (i) dispose of its existing businesses; or (ii) acquire any new business.

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

3 Use of proceeds from the Subscription

The gross proceeds from the Subscription are expected to be approximately HK\$110 million (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 million and the net Subscription Price per Subscription Share will be approximately HK\$0.095.

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The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$86.3 million for repayment of outstanding debts of the Group; and (ii) the remaining balance of approximately HK\$18.7 million for general working capital of the Group.

Please refer to the section headed “USE OF PROCEEDS” and “The Scheme” in the Letter from the Board for further details.

4 Reasons for and benefits of the Subscription, the Connected Conversion and the Settlement

4.1 Statutory demands from debtors to repay overdue indebtedness

References are made to the announcements of the Company dated 12 August 2020, 2 September 2020, 29 September 2020, 16 October 2020, 6 November 2020 and 21 June 2021 in relation to, among others, a number of statutory demands issued by the creditors of the Company (collectively, the “**Statutory Demand Announcements**”) and the Annual Report 2021.

As at 31 May 2021, the total amount of overdue borrowings of the Group amounted to approximately HK\$230.3 million, among which a number of creditors (the “**SD Creditors**”) in relation to an aggregate loan amount of approximately HK\$190.3 million have filed statutory demands against the Company as disclosed in the Statutory Demand Announcements.

We noted that all of these statutory demands were served to the Company in 2020 and the Company is still unable to repay the relevant indebtedness because of the unfavourable prevailing financing situation of the Group. Since the Group was unable to repay the relevant indebtedness within 21 days from the date of service of the relevant statutory demands, each of the relevant SD Creditors is entitled to present a winding up petition against the Company at any time at their discretions.

Meanwhile, with reference to the Annual Report 2021 and the management account of the Group provided by the Management, we noted that the Group’s cash and cash equivalents balance was only approximately HK\$8.2 million and HK\$8.0 million as at 31 March 2021 and 31 May 2021 respectively.

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 Group has exhausted all other means to resolve the current situation. However, any further debt financing would further increase the gearing of the Company.

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Taking into consideration of the aforementioned circumstances confronting the Company, we concur with the view of the Directors that (i) it is currently at a critical stage to resolve its financial situation; (ii) it would be impracticable to raise capital solely through debts without strengthening the equity of the Group; and (iii) the Subscription is a mean of fund raising and the Connected Conversion and the Settlement are means of lowering the liability of the Group.

4.2 Suitable source of financing among other fund-raising alternatives

As stated in the Letter from the Board and also based on the communication with the Management, the Company has considered other financing alternatives including (i) equity fund raising such as open offer and/or rights issue and (ii) other debt financing. The Company decided to enter into the Subscription, the Connected Conversion and the Settlement due to the reasons as stated below.

Equity fund raising – Open Offer and/or Rights Issue

We have enquired the Subscriber regarding its intention to support open offer and/or rights issue conducted by the Company. The Subscriber has indicated that it has no further internal financial resources to support open offer and/or rights issue conducted by the Company. In addition, 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 the 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 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.

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Based on the information provided by the Company, we also noted that the Company has approached nine independent financial institutions to negotiate potential underwriting and/or placing in similar size as to the Subscription. Two of the independent financial institutions had acted as placing agents of the Company in previous share placements. Eventually, none of the financial institutions indicated interest in the potential underwriting and/or placing for various reasons as stated in the section headed “Difficulties in obtaining financing alternatives” in the Letter from the Board. Furthermore, the Management stated that 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.

Under such circumstances, conducting equity fund raising such as open offer and/ or rights issue is not a preferable choice.

Debt financing

We have also enquired the Company regarding its intention to conduct debt financing to support the liquidity of the Company.

The Company stated that banks, money lenders and/or potential lender show no interest to provide debt financing to a listed issuer with financial difficulties and going-concern issue since the Company has received a number of statutory demands from its creditors and the Company is demanded to repay overdue indebtedness, which had been announced publicly and disclosed in the Annual Report 2021. Debt financing from banks or money lenders may also be subject to lengthy due diligence and internal risk assessment by them. In addition, the gearing ratio of the Group was 392.1% as at 31 March 2021. It may not be feasible for the Group to obtain additional debt financing with terms favourable to the Group.

Meanwhile, although the Company has entered into the Loan MOU with the Loan Lender and would obtain additional debt financing if materialised, 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.

Under such circumstances, conducting debt financing from banks, money lenders or other potential creditors prior to the completion of the Subscription, the Connected Conversion and the Settlement is not a preferable choice.

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4.3 Other benefits of the Subscription, the Connected Conversion and the Settlement

As stated in the section headed “Financial Effect of the Subscription, the Connected Conversion and the Settlement” in this letter, (i) as part of the net proceeds from the Subscription is expected to be applied for the repayment of the borrowings of the Group; and (ii) upon the Connected Conversion Completion and the Settlement Completion, the respective liabilities of the Group will be converted into the equity of the Group, the Subscription, the Connected Conversion and the Settlement will improve the Group’s net debt ratio and net current liabilities position.

After considering that:

- (i) the Group recorded net current liabilities as at 31 March 2021;
- (ii) the Group has no sufficient financial resources to meet the statutory demands from creditors to repay the overdue indebtedness;
- (iii) it is not cost-effective nor feasible for the Group to carry out other forms of equity financing and/or obtain debt financing; and
- (iv) the Subscription, the Connected Conversion and the Settlement will improve the Group’s net debt ratio and net current liabilities position upon completion,

we concur with the view of the Directors that the Subscription is the desirable way to raise capital and the Connected Conversion and the Settlement are lowering the liability of the Group under the current circumstances of the Group and are in the interests of the Company and the Shareholders as a whole.

5 The Subscription, the Connected Conversion and the Settlement

5.1 The Subscription Agreement

The principal terms of the Subscription Agreement are summarised as below:

- | | | |
|---------------------|---|---|
| Parties | : | (i) The Company, being the issuer; and |
| | | (i) Abundance Development Limited, being the Subscriber |
| Subscription Shares | : | 1,100,000,000 Subscription Shares, represent: |
| | | (i) approximately 165.96% of the issued share capital of the Company as at the Latest Practicable Date; and |

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- (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.

Subscription Price : HK\$0.1 per Subscription Share

Please refer to the section headed “THE SUBSCRIPTION AGREEMENT” in the Letter from the Board for further details.

5.2 The Connected Conversion Agreements

The principal terms of the Connected Conversion Agreements are summarised as below:

- Parties : (i) The Company, being the issuer;
- (i) Mr. Wong, being the first subscriber of the First Connected Conversion Agreement;
- (iii) Mpplication, being the second subscriber of the First Connected Conversion Agreement; and
- (iv) Mr. Lam, being the subscriber of the Second Connected Conversion Agreement
- Conversion Shares : 126,744,000 Conversion Shares, which comprise 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, represent:
- (i) approximately 14.56%, 1.52% and 3.04% of the issued share capital of the Company as at the Latest Practicable Date; 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 Conversion Shares and the Settlement Shares, respectively.

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Issue Price : HK\$0.1 per Conversion Share

Please refer to the section headed “THE CONNECTED CONVERSION AGREEMENTS” in the Letter from the Board for further details.

5.3 The Settlement Agreements

The principal terms of the Settlement Agreements are summarised as below:

Parties : (i) The Company, being the issuer;

(ii) 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, being the subscribers

Settlement Shares : 474,196,000 Settlement Shares, which comprise 238,908,000, 22,778,000, 105,370,000, 12,068,000, 50,000,000 and 45,072,000 Settlement Shares to be allotted and issued 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, represent:

- (i) approximately 71.54% of the issued share capital of the Company as at the Latest Practicable Date; 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.

Issue Price : HK\$0.1 per Settlement Share

Please refer to the section headed “THE SETTLEMENT AGREEMENTS” in the Letter from the Board for further details.

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5.4 Financing Arrangement with the Financier

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, which was arrived at after arm's length negotiations between the Subscriber and the Financier with reference to the prevailing market interest rate. 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 for 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 terms of the financing were arrived at after arm's length negotiations between the Subscriber and the Financier which took into account of, *inter alia*, (i) the repayment ability of the Subscriber and Mr. Wong; and (ii) the prospects of the business of the Group.

Please refer to the section headed "INFORMATION ON THE GROUP, THE SUBSCRIBER, MR. WONG, MR. LAM, APPLICATION AND THE LENDERS" in the Letter from the Board for further details.

5.5 Assessment on the Financing Arrangement with the Financier

Based on the information provided by the Management, we are aware that Mr. Wong is founder of the Group and has been appointed as the Chief Executive Officer of Synergy Lighting Limited, a major operating subsidiary of the Group in 2009. He has been involved extensively in every major aspect of the operation of the Group ever since and has also developed extensive networks with the Group's customer, suppliers and business partners over the years. Thus, Mr. Wong has been the single largest Shareholder, Chairman of the Board, Chief Executive Officer and an executive Director since the listing of the Company on the GEM board of the Stock Exchange in 2015.

Mr. Wong has demonstrated that he is fully committed and has exhausted all possible means on his personal level in order to help sustain the business of the Group ever since the Group started to run into business downturn and financial difficulties. In helping the Group to obtain necessary financing over the past few years, Mr. Wong has pledged the Shares held by him and provided a personal guarantee as part of the security for the CCBI Note. He has also provided a personal guarantee as part of the security with respect to the loans from Hang Seng Bank. Mr. Wong also (i) provided director's loans to the Group on a interest-free and repayment on demand basis; and (ii) requested the Group to withhold the payment of his own salary since August 2019 such that the Group can free up more cashflow for its daily operations.

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In addition, we also noted that after using its best endeavour, the Company were still unable to attract Independent Third Parties to subscribe for Shares since the first publication of the Statutory Demand Announcements. As such, the Subscription by Mr. Wong was considered to be the only feasible option at the relevant time. In light of Mr. Wong's financial support of the Company as abovementioned, he did not have sufficient funds to conduct the Subscription. As such, Mr. Wong and the Management approached the Financier in late November 2020 to explore the possibility for them to provide financing to Mr. Wong in the Subscription.

We noted that the Financier is in nature a lender by providing a loan to Mr. Wong, instead of a speculator on the stock market which seeks to acquire Shares with hope of reselling at a higher price to profit. As a lender, the primary concerns for the Financier are to (i) ensure that Mr. Wong would have the ability to repay the principal and interest according to the relevant terms of the loan, while (ii) seeking maximum protection for the money it lends to the borrower with sufficient collateral obtained from Mr. Wong.

Given the fact that Mr. Wong had already contributed significant financial supports to the Company, he did not possess material assets of comparable size in his personal capacity which can be pledged to the Financier as security for the relevant financing other than the Shares owned or to be owned by him. Thus, pledging the Subscription Shares to the Financier was considered to be the only feasible option during such negotiation.

Based on the above, it would also be in the interest of the Financier to (i) ensure the financial ability and income stability of Mr. Wong since the majority of the assets and income stream of Mr. Wong lie in the Company, it would be to the benefit of the Financier if Mr. Wong could revive the Business of the Group; and (ii) request for a controlling stake in the Company to be pledged to them as collateral, which have a significantly higher value with control premium than that of a minority stake in the Company and secure Mr. Wong to stay within the Group to help revive the business of the Group, thereby creating value for the Company (i.e. value of the collateral).

In addition, we also noted that the collateral acts only as a security for the Financier in case Mr. Wong defaults. In the usual case where Mr. Wong repays the principal and interest according to the terms of the relevant financing agreement, the Financier is not entitled to take possession and sell the Shares which has been pledged to them. In the unlikely event where Mr. Wong defaulted on the financing agreement, the Financier is only entitled to exercise its power of sale and recover only the amount outstanding from Mr. Wong, and is not entitled to keep the windfall gain derived from the sale of such Shares resulting from the increase in the price of Shares (if exists).

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Regarding the interest rate of the financing agreement with the Financier, the Management expressed that such interest rate (i.e. 18% per annum) was determined with reference to the effective interest rate obtained by the Company from other financial institutions, which ranged from approximately 19% to 21% per annum during the negotiation with the Financier.

Based on the published information, including but not limited to the listed issuer's annual report, announcement and circular, we understand that it is not uncommon for listed issuers on the Stock Exchange to enter into loan and/or financing agreements with banks, financial institutions and/or other lenders that contain terms requiring the controlling shareholders to hold a beneficial interest of at least 50% in the respective company.

Having considered that:

- (i) Mr. Wong has been involved extensively in every major aspect of the operation of the Group and has also developed extensive networks with the Group's customer, suppliers and business partners over the years;
- (ii) Mr. Wong is fully committed and has exhausted all possible means on his personal level in order to help sustain the business of the Group;
- (iii) no other Independent Third Party is interested in the subscription of the Shares of the Company under, among others, the circumstances confronting the Company as stated in the section headed "4.1 Statutory demands from debtors to repay overdue indebtedness" in this letter;
- (iv) the primary objective for the Financier under the financing arrangement is to recover the principal and receive interest as a return;
- (v) the Financier needs to ensure the repayment ability of Mr. Wong and maximum protection for the money it lends;
- (vi) the arrangements under the financing agreement with the Financier secure Mr. Wong to stay within the Group to help revive the business of the Group;
- (vii) Mr. Wong did not possess material assets of comparable size in his personal capacity after the previous financial supports to the Company;
- (viii) the Financier is not entitled to keep the windfall gain derived from the sale of the pledged Shares resulting from the increase in the price of Shares (if exists);
- (ix) the interest rate of the financing agreement with the Financier was determined with reference to the interest rate obtained by the Company from other financial institutions;

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- (x) it is not uncommon for other lender to the listed issuer on the Stock Exchange to require the respective controlling shareholders to hold a beneficial interest of at least 50% in the respective company;
- (xi) As stated in the section headed “4 Reasons for and benefits of the Subscription, the Connected Conversion and the Settlement”, among others, the Subscription (through the supports from the financing arrangement with the Financier) are in the interests of the Company and the Shareholders as a whole,

we are of the view that the arrangements under the financing agreement with the Financier in relation to the Subscription are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5.6 Arrangements with the Lenders under the Settlement Agreements

We noted that under the existing arrangements of the Settlement Agreements, the Company only entered into individual Settlement Agreements with each of the Lenders. We have enquired the Company for the rationale of selecting the relevant creditors in participating in the Settlement;

Based on the information provided by the Company, we noted that all of the creditors of the Group who are Independent Third Parties were initially invited to participate in the Settlement

However, upon preliminary discussions, taking into account the deteriorated financial positions of the Group and the risk that the Group may not be able to turn around its adverse financial positions and/or would be wound up eventually, Most of the Independent Third Parties creditors, other than the Lenders, considered that there is an extremely high degree of uncertainty to convert their respective debts to equity of the Company, and thus rejected the Group’s invitation to participate in the Settlement.

Various reasons had been given for their rejection including, *inter alia*, (i) the Group might not be able to make a turnaround from its adverse financial position, exposing the Group to high bankruptcy risk; (ii) the loans provided by some creditors, such as CCBI, are already secured by sufficient collaterals and/or personal guarantees. Those creditors were unwilling to convert the relevant debts to Shares, but preferring to sell the collaterals directly to recover the debts and/or enforce the personal guarantees against the guarantors, which were considered to be more stable and secure than holding the Shares; and/or (iii) some creditors are restricted by their internal protocol, regulations and/or normal business practice from settling debts by equity conversions.

As such, only six creditors (i.e. the Lenders) indicated willingness to participate in the Settlement and we understand that it is not the Company that choose to pick the relevant creditors to participate in the Settlement.

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Based on the fact that:

- (i) the Company had invited all of the creditors of the Group who are Independent Third Parties to participate in the Settlement;
- (ii) the non-participating creditors declined, at their discretion, to participate in the Settlement; and
- (iii) the Settlement are lowering the liability of the Group under the current circumstances of the Group and are in the interests of the Company and the Shareholders as a whole as stated in the section headed “4. Reasons for and benefits of the Subscription, the Connected Conversion and the Settlement” in this letter,

we are of the view that the arrangements under the Settlement Agreements with the Lenders are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5.7 The Subscription Price and the Issue Price

As stated in the Letter from the Board, 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 in the Reference Period after taking into account, *inter alia*, (i) the estimated unaudited net asset value of HK\$0.1 per Share as at 31 March 2021; (ii) the Subscription Price and the Issue Price represented a discount of approximately 17.36% to the Reference Average Share Price of HK\$0.121; (iii) the exceptional circumstances in relation to the financial difficulties and business operations encountered by the Group as detailed in the section headed “REASONS FOR AND BENEFITS OF THE SUBSCRIPTION, THE CONNECTED CONVERSION AND THE SETTLEMENT” of Letter from the Board; and (iv) the limitation that the Subscriber encountered when arranging the financing for the Subscription with the Financier.

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 Latest Practicable Date;
- (ii) 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;
- (iii) 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;

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- (iv) 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;
- (v) 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
- (vi) 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.

5.8 Assessment on the Subscription Price and the Issue Price

Negotiation and Determination of the Subscription Price and the Issue Price

Based on the information provided by the Company, we noted that the Company started to approach and discuss with various financier/investors and professional parties regarding the feasibility and details of implementation of the proposed rescue plan including, but not limited to, the Subscription, the Connected Conversion and the Settlement.

The parties commenced the negotiation of the terms of the Subscription, the Connected Conversion and the Settlement since around January 2021. The relevant parties primarily negotiated and determined the Subscription Price and the Issue Price based on historical Share price during the Reference Period. The price of the Shares was in the range of HK\$0.107 and HK\$0.139 while the average Share price during the Reference Period was approximately HK\$0.121.

Apart from the historical Share price, the relevant parties also negotiated and determined the Subscription Price and the Issue Price based on the net asset value per Share of the Group. Pursuant to the management accounts of the Group for the year ended 31 March 2021 available at the time of negotiation, the estimated unaudited net asset value per Share of the Group was approximately HK\$0.10 per Share.

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However, based on the latest management accounts of the Group for FY2021 presented to the parties during the negotiation process of the Subscription, the Connected Conversion and the Settlement, the parties noted that the Group's financial performance would further deteriorated during FY2021 including, but not limited to, recording (i) a loss attributable to owners of the Company of more than HK\$260 million for FY2021; (ii) a decline of more than 55% in its turnover during FY2021 as compared to FY2020; (iii) a net current liabilities of more than HK\$90.0 million as at 31 March 2021; and (iv) the estimated net asset value per Share is expected to further decrease from approximately HK\$0.39 as at 30 September 2020 to approximately HK\$0.10 per Share as at 31 March 2021. Besides, the parties also expressed their concern regarding the statutory demands issued by the creditors of the Company.

Taking into account the deteriorated financial positions of the Group and the risk that the Group may not be able to turn around its adverse financial positions and/or would be wound up eventually, although the Management expressed that it was the Company's intention to negotiate the Subscription Price and the Issued Price based on the abovementioned range (i.e. HK\$0.1 to HK\$0.139 per Share), the final Subscription Price and the Issued Price could only be arrived at HK\$0.10 per Share, which represented the estimated unaudited net asset value per Share of the Group.

Based on our communication with the Management, we noted that the key commercial terms for the proposed rescue plan, which include, among others, the Subscription, the Connected Conversion and the Settlement were finalised in early April 2021.

However, due to the fact that:

- (i) Mr. Wong and Mr. Lam are interested in the Subscription, the Connected Conversion, the Settlement and the Whitewash Waiver. Both Mr. Wong and Mr. Lam shall 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 and the Whitewash Waiver;
- (ii) there is no other executive Director who could enter into the formal Subscription Agreement, the Connected Conversion Agreements and the Settlement on behalf of the Company;
- (iii) the Subscription, the Connected Conversion and the Settlement will be subject to several regulatory requirements under the Listing Rules and the Takeovers Code. Prior consent shall be obtained from the Stock Exchange before formally enter into of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements.

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No agreement had been formally entered into upon the finalisation of the key commercial terms for the proposed rescue plan, which include, among others, the Subscription, the Connected Conversion and the Settlement thereafter.

In order to formally proceed with the proposed rescue plan, which include, among others, the Subscription, the Connected Conversion and the Settlement, relevant application had been made by the Company to the Stock Exchange by the end of June 2021.

Upon the application to the Stock Exchange, there has no actual improvement on the financial outlook of the Group although there has been a subsequent increase in the Share price after the Reference Period. Moreover, pursuant to annual results of the Group for FY2021 announced by the Company on 30 June 2021, the Group recorded a net asset value attributable to owners of the Company of approximately HK\$0.094 per Share as at 31 March 2021, which had slightly fallen short of the estimated net asset value per Share of approximately HK\$0.1 per Share according to latest management accounts available during the negotiation of the terms of the proposed rescue plan in April 2021. Furthermore, pursuant to the annual results of the Group for FY2021, the Group recorded a loss attributable to owners of the Company of approximately HK\$280 million, which was approximately HK\$20 million more than that as presented in the latest management accounts available during the negotiation of the terms of the proposed rescue plan in April 2021. As such, it left little room for the Group to subsequently increase or renegotiate the Subscription Price and Issue Price in any material manner.

After taking into account of the following fact that:

- (i) the Company encountered severe financial difficulties and would be wound up eventually during the negotiation process, the Subscription Price and the Issue Price were finally determinate with reference to the net asset value of the Company, which represent an appropriate parameter on the value of the Shares;
- (ii) although no formal agreement could be entered into due to the regulatory requirements under the Listing Rules, the Subscription Price and the Issue Price had been already finalised in April 2021;
- (iii) the Company had already submitted its application to the Stock Exchange as soon as practical in order to proceed the proposed rescue plan; and
- (iv) there has no actual improvement on the financial outlook of the Group since the finalisation of the terms of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements,

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we are of the view that the determination of the Subscription Price and the Issue Price are fair and reasonable so far as the Independent Shareholders are concerned.

Comparison with the Comparables

As stated in the section headed “IMPLICATIONS UNDER THE LISTING RULES” of this letter, 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. After taking into account, among others, the financial difficulties encountered by the Company, the Stock Exchange has indicated that the Company can proceed with the Subscription, the Connected Conversion and the Settlement.

In view of the fact that capital raisings resulting in a theoretical dilution effect of more than 25% normally represent (i) a significant issue size compared to the number of shares in issue prior to the capital increase; and/or (ii) a significant discount to the issue price compared to the last trading price of the relevant shares; we are of the view that by comparing the Subscription, the Connected Conversion and the Settlement with placements, rights issues and/or open offers transactions where the respective theoretical dilution effect was below the 25% threshold, as set out in Rule 7.27B of the Listing Rules, will not provide a fair basis for our evaluation for the purpose of assessing the fairness and reasonableness of the Subscription Price and the Issue Price.

Instead, having considered that (i) the severe financial difficulties encountered by the Company as stated above; (ii) each of the relevant SD Creditors is entitled to present a winding up petition against the Company at any time at their discretions as abovementioned; (iii) the Connected Conversion and the Settlement involve the conversion of the indebtedness of the Company to the equity of the Company; and (iv) the Company shall be discharged and released from all obligations for repayment of the respective outstanding indebtedness hereunder upon the Connected Conversion Completion and the Settlement Completion, we identified an exhaustive list of 12 transactions announced by 12 companies listed on the Stock Exchange during the period from 1 January 2019 to 15 September 2021 (being the Last Trading Day) (the “**Comparables**”). We consider that such 33 months comparison is appropriate to provide a general reference for the recent markets practice in relation to the setting of subscription prices, theoretical dilution effect and maximum dilution on public shareholders under similar market conditions and hence a reasonable and meaningful comparison could be reached.

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For the purpose of our selection of the Comparables, the basis of our selection of the Comparables is as follows:

- i. companies listed on the Stock Exchange;
- ii. companies that had either published announcements or circular in relation to issuance of shares for loan capitalisation, placing and/or subscription of new shares and/or securities convertible into shares under specific mandate with proceeds used for settlement of indebtedness to solve the severe financial difficulties encountered by such companies during the period from 1 January 2019 up to and including the date of the Last Trading Day (i.e. 15 September 2021); and
- iii. the above relevant equity fund raising transaction constituted transaction with an application of whitewash waiver.

Shareholders should note that the subject companies in the Comparables (i) have different principal business activities, market capitalisations, profitability and financial positions; and (ii) had undergone their own restructuring as different restructuring proposals have different terms and conditions such as the amount of investment to be injected by the relevant investors and the percentage of shareholdings to be held by such investors after the respective restructuring has been completed, which may be factors in determining the subscription price, as compared to those of the Company. Nevertheless, we consider that the list of the Comparables is an exhaustive list and sufficient to demonstrate the market practice of similar transactions conducted by the listed issuers with severe financial difficulties during the selected period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The major terms of the transactions conducted by the Comparables are summarised below (the “**Comparables Table**”):

Company name (stock code)	Date of announcement/ circular	Relevant Transaction(s)	Discount of subscription price to the closing price on the last trading day %	Theoretical dilution effect %	Maximum dilution on public shareholder %
National United Resources Holdings Limited (254)	2021-06-24	debt restructuring, subscription of shares and open offer	92.3	N/A	79.16
Freeman FinTech Corporation Limited (279)	2021-05-26	debt restructuring and subscription of shares	82.10	77.35	91.18
Burwill Holdings Limited (24)	2021-05-05	debt restructuring, subscription of shares and open offer	94.37	87.84	93.08
China Oil Gangran Energy Group Holdings Limited (8132)	2021-03-19	subscription of shares	87.55	77.20	84.17
MH Development Limited (2662)	2021-02-22	subscription of shares	98.42	N/A	67.04
Up Energy Development Group Limited (307)	2020-12-31	debt restructuring and subscription of shares	0.00	N/A	91.55
Flyke International Holdings Ltd. (1998)	2020-06-18	reverse takeover, subscription of shares and share offer	83.82	51.58	91.99
Victory Group Limited (1139)	2020-05-29	reverse takeover, subscription of shares and open offer	16.00	N/A	56.74
China Solar Energy Holdings Limited (155)	2020-05-22	reverse takeover, subscription of shares and open offer	91.67	88.80	64.60
China Lumena New Materials Corp. (67)	2019-11-29	reverse takeover and share offer	99.52	74.64	94.99
Union Asia Enterprise Holdings Limited (8173)	2019-05-29	reverse takeover and share offer	85.90	94.40	85.11
China Agrotech Holdings Limited (1073)	2019-04-27	reverse takeover, subscription of shares and share offer	78.80	71.80	91.17
		Average	75.87	77.95	82.57
		Median	86.73	77.28	88.14
		Maximum	99.52	94.40	94.99
		Minimum	0.00	51.58	56.74
The Company	2021-09-15	debt restructuring and subscription of shares	81.48	55.42	71.96

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

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The subscription prices of the Comparables recorded a discount against respective closing price/adjusted closing price on their last trading day. The discount ranged from approximately 0.00% to 99.52% and the average and median discount of the Comparables is approximately 75.87% and 86.73% respectively. The Subscription Price and the Issue Price, which represent a discount of approximately 81.48% against the closing price of HK\$0.54 per Share on the Last Trading Day, is within the abovementioned range, slightly higher than the average discount and below the median discount of the Comparables.

Having considered:

- (i) the Group recorded audited net current liabilities as at 31 March 2021 and recorded loss attributable to the owners of the Company for recent two financial years;
- (ii) the significant statutory demands filed against the Company as aforementioned;
- (iii) the existing low level of bank balances and cash of the Company;
- (iv) the difficulties encountered by the Company to obtain other fund-raising alternatives as aforementioned;
- (v) the fund raised from the Subscription enables the Company to support the implementation of the Scheme, where upon effective, would restructure the overdue indebtedness and avoid bankruptcy and the Connected Conversion and the Settlement are means of lowering the liability of the Group;
- (vi) the Subscription Price and the Issue Price represent a premium to the audited net asset value attributable to owners of the Company as at 31 March 2021;
- (vii) the discount of the Subscription Price and the Issue Price to the closing price of the Shares on the Last Trading Day falls with the range, above the average and below the median of the Comparable,

we are of the view that the Subscription Price and the Issue Price are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.9 Potential dilution effect to the existing Shareholders

Immediately after the Subscription Completion, the Connected Conversion Completion and the Settlement Completion, the issue of the Subscription Shares, the Conversion Shares and the Settlement Shares, the shareholding interest of the public Shareholders will be diluted from approximately 91.59% as at the Latest Practicable Date to approximately 25.68%. Further details of the dilution effect to the public Shareholders are also illustrated in section “EFFECT ON THE SHAREHOLDING STRUCTURE” in the Letter from the Board. As such, the possible maximum dilution to the shareholding of the public Shareholders will be approximately 71.96%.

As noted from the Comparables Table above, the maximum dilution to the shareholding of the public shareholders of the Comparables ranged from approximately 56.74% to approximately 94.99%, with an average and a median of approximately 82.57% and approximately 88.14% respectively. Therefore, the maximum dilution effect to the shareholdings of the public Shareholders of approximately 71.96% are within the respective range in the above and below the median and the average of the Comparables.

Further, the issue of the Subscription Shares, the Conversion Shares and the Settlement Shares will result in a theoretical dilution effect of 55.42%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. Pursuant to the Comparables Table, we note that eight of the Comparables recorded a theoretical dilution effect in the range from approximately 51.58% to approximately 94.40%, with an average and a median of approximately 77.95% and 77.28% respectively, and the theoretical dilution effect of the Subscription, the Connected Conversion and the Settlement of approximately 55.52% is within the range of the Comparables and below both the average and the median of the Comparables.

Despite the said dilution to the public Shareholders, we take into account, in particular, the following factors:

- (i) the Company is in severe financial difficulties and has no sufficient financial resources to repay the overdue indebtedness;
- (ii) the SD Creditors are entitled to present a winding up petition against the Company at any time at their discretions and the Shareholders would most likely not be able to receive any value for their equity interest in the Company if the Company is subject to bankruptcy;
- (iii) besides repaying the overdue indebtedness, the proceeds from the Subscription provide funding for the general working capital of the Group;

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- (iv) the completion of the Subscription, the Connected Conversion and the Settlement is essential for the Company to obtain the Potential Loan from the Loan Lender which, if materialised, may represent additional debt financing of the Company;

Please refer to the section headed “POSSIBLE DEBT FINANCING ARRANGEMENT” in the Letter from the Board for further details; and

- (v) the maximum dilution to the shareholdings of the public Shareholders were within the range of the maximum dilution to the shareholding of the public shareholders of the Comparables,

we consider that the abovementioned benefits of the Subscriptions, Connected Conversion and the Settlement outweigh the said dilution impact to the public Shareholders, and hence we are of the view that the dilution effect on the shareholding interests of the public Shareholders is justifiable and acceptable so far as the Independent Shareholders are concerned.

In light of the above, in particular that (i) the reasons and benefits of the Company entered into the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements; (ii) the determination of the Subscription Price and the Issue Price are fair and reasonable; and (iii) the potential dilution effect to the existing public Shareholders is justifiable and acceptable, we are of the view that the terms of the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements are fair and reasonable and the Subscription, the Connected Conversion and the Settlement are in the interest of the Company and Independent Shareholders as a whole.

6 Financial impacts of the Subscription, the Connected Conversion and the Settlement

It should be noted that below is for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon the completion of the Subscription, the Connected Conversion and the Settlement.

Net liabilities and gearing

As disclosed in the Annual Report 2021, the Group had net current liabilities of approximately HK\$91.0 million as at 31 March 2021. As at 31 March 2021, the gearing ratio of the Group, which is calculated on the basis of the amount of total debt divided by the total equity, was 392.1%, which has increased from 77.7% as at 31 March 2020.

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Upon the Connected Conversion Completion and the Settlement Completion, all of the indebtedness that are subject to (i) the Connected Conversion between Mr. Wong, Mpplication and Mr. Lam as creditors and the Company as borrower; and (ii) the Settlement Agreements between the Lenders as debtors and the Company as borrower or guarantor, shall be settled, such that the Company shall be discharged and released from all obligations for repayment of such outstanding indebtedness hereunder. As a result, the liabilities of the Company would be reduced accordingly.

Assuming the asset position of the Group has no material change as compared to the asset position of the Group as at 31 March 2021, upon the completion of the Subscription, the Connected Conversion and the Settlement, the liabilities and the gearing ratio of the Group are expected to reduce, leading to an improvement to the financial position of the Group.

Working capital and liquidity

Immediately upon the Subscription Completion, there would be an increase in the cash level of the Group and the Company would apply (i) approximately HK\$86.0 million 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 such, the working capital and liquidity position of the Group is expected to be improved upon the Subscription Completion.

Considering the possible benefits of the Subscription, the Connected Conversion and the Settlement on the liquidity and the overall financial position of the Company as discussed above, we are of the view that the Subscription, the Connected Conversion and the Settlement are in the interest of the Company and the Shareholders as a whole.

7 Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it are interested in aggregate of 55,667,204 Shares, representing approximately 8.39% of the total issued share capital of the Company.

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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 8.39% to a maximum of 54.25% 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 Latest Practicable Date 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.

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and the Conversion Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll.

In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it and other Shareholders who are involved or interested in the Subscription, the Connected Conversion, the Settlement, the grant of the Specific Mandate and the Whitewash Waiver shall abstain from voting on the respective resolutions at the EGM. Therefore, the Subscriber, Mr Lam and their respective associates (including Ms. Yeung Betty), who are interested in a total of 55,667,204 Shares, representing approximately 8.39% of the issued share capital of the Company, shall abstain from voting on the resolutions approving the Subscription, the Connected Conversion, the Settlement, the granting of the Specific Mandate and the Whitewash Waiver at the EGM.

Based on our above analysis of the Subscription and the Connected Conversion, we consider that the Subscription Agreement, the Connected Conversion Agreements and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. If the Whitewash Waiver were not approved by the Independent Shareholders at the EGM, the Subscription Agreement, the Connected Conversion Agreements and the Settlement Agreements, which are inter-conditional, would be unable to be executed. Thus the financial position of the Company could not be improved and the Company would be unable to repay the relevant indebtedness from the SD Creditors.

Accordingly, for the purpose of, *inter alia*, solving the overall financial difficulties of the Group and avoiding bankruptcy, we are of the view that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Subscription, the Connected Conversion, the Settlement, the granting of the Specific Mandate and the Whitewash Waiver, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with an interpreted in the full context of this letter):

- (I) the Group has been in net current liabilities position as at 31 March 2021, with cash and cash equivalents balance amounting to approximately HK\$8.2 million as at 31 March 2020. The Company would need to seek for fund raisings to repay the relevant overdue indebtedness;
- (II) Banks, money lenders and/or potential lender show no interest to provide debt financing in the Company with financial difficulties and going-concern issue and the approached securities companies had shown no interest to underwrite rights issue or open offer by the Company;
- (III) the Subscription is the desirable way to raise capital and the Connected Conversion and the Settlement are lowering the liability of the Group under the current circumstances of the Group;
- (IV) the Company shall be discharged and released from all obligations for repayment of the respective outstanding indebtedness hereunder upon the Connected Conversion Completion and the Settlement Completion;
- (V) the arrangements under the financing agreement with the Financier in relation to the Subscription are justifiable for reasons as discussed in the section headed “5.5 Assessment on the Financing Arrangement with the Financier” in this letter;
- (VI) the arrangements under the Settlement Agreements with the Lenders are justifiable for reasons as discussed in the section headed “5.6 Arrangements with the Lenders under the Settlement Agreements” in this letter;
- (VII) the discount of the Subscription Price and the Issue Price is within the respective range of the Comparables;
- (VIII) the maximum dilution effect to the shareholdings of the public Shareholders of approximately 71.96% are within the respective range of the Comparables;
- (IX) the financial position, gearing, working capital and liquidity of the Company is expected to improve upon the Subscription Completion, the Connected Conversion Completion and the Settlement Completion;

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- (X) if the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, all the Subscription, the Connected Conversion and the Settlement cannot be executed.

Based on the above, we are of the opinion that, though not entered into in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement, the Connected Conversion Agreements, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement, the Connected Conversion Agreement, the Settlement Agreements and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Wavier.

Yours faithfully,

For and on behalf of

Draco Capital Limited

Kevin Choi

Leon Au Yeung

Managing Director

Associate Director

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as a responsible officer of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 10 and 8 years of experience in corporate finance industry, respectively.

1. FINANCIAL SUMMARY OF THE GROUP

The published consolidated financial statements of the Group for each of the three years ended 31 March 2019, 2020 and 2021 are disclosed in the Company's annual reports for each of the three years ended 31 March 2019, 2020 and 2021 respectively, which can be accessed on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.synergy-group.com):

- (i) annual report of the Company for the year ended 31 March 2019 published on 30 July 2019, which can be accessed via the link at:

<https://www.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltm201704272221.pdf>

- (ii) annual report of the Company for the year ended 31 March 2020 published on 2 August 2020 (the “**Annual Report 2020**”), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0802/2020080200033.pdf>

- (iii) annual report of the Company for the year ended 31 March 2021 published on 29 July 2021 (the “**Annual Report 2021**”), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0729/2021072901521.pdf>

BDO Limited, the auditor of the Company (the “**Auditor**”), issued a disclaimer of opinion related to going concern on the consolidated financial statements of the Group for each of the years ended 31 March 2020 and 2021. The Auditor did not issue any qualified opinion on the consolidated financial statements of the Group for the year ended 31 March 2019. The dividend paid for each of the years ended 31 March 2019, 2020 and 2021 was nil, nil and nil, respectively.

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the years ended 31 December 2019, 2020 and 2021 as extracted from the relevant annual reports of the Group:

	For the year ended 31 March		
	2019	2020	2021
	(audited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
INCOME STATEMENT			
Continuing operations			
Revenue	245,381	126,547	53,784
Cost of sales	(138,818)	(56,439)	(27,408)
Gross profit	106,563	70,108	26,376
Other income and gains	48,363	5,180	19,676
Administrative expenses	(47,991)	(59,513)	(25,166)
Selling and distribution costs	(6,220)	(5,285)	(3,448)
Finance costs	(18,179)	(18,729)	(55,526)
Other expenses	(45,910)	(108,583)	(278,226)
Share of results of associates	15,555	2,371	9,551
Loss before income tax from continuing operations	52,181	(114,451)	(306,763)
Income tax credit	(8,990)	5,536	24,229
Loss for the year from continuing operations	<u>43,191</u>	<u>(108,915)</u>	<u>(282,534)</u>
Discontinued operations			
Loss for the year from discontinued operations	<u>(1,953)</u>	<u>(2,225)</u>	<u>–</u>
Profit/(Loss) for the year	<u><u>41,238</u></u>	<u><u>(111,140)</u></u>	<u><u>(282,534)</u></u>
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of financial statements of foreign operations	(2,458)	(2,679)	2,160
Share of other comprehensive income of associates	<u>(26)</u>	<u>(209)</u>	<u>(31)</u>
Other comprehensive income for the year, net of tax	<u>(2,484)</u>	<u>(2,888)</u>	<u>2,129</u>
Total comprehensive income for the year	<u><u>38,754</u></u>	<u><u>(114,028)</u></u>	<u><u>(280,405)</u></u>

	For the year ended 31 March		
	2019	2020	2021
	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the year attributable to:			
Owners of the Company	44,554	(109,762)	(279,797)
Non-controlling interests	<u>(3,316)</u>	<u>(1,378)</u>	<u>(2,737)</u>
	<u>41,238</u>	<u>(111,140)</u>	<u>(282,534)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company	42,068	(112,545)	(277,769)
Non-controlling interests	<u>(3,314)</u>	<u>(1,483)</u>	<u>(2,636)</u>
	<u>38,754</u>	<u>(114,028)</u>	<u>(280,405)</u>
Loss per share attributable to owners of the Company from continuing and discontinued operations:			
– Basic (<i>HK cents</i>)	<u>8.1</u>	<u>(20.0)</u>	<u>(45.6)</u>
– Diluted (<i>HK cents</i>)	<u>8.1</u>	<u>(20.0)</u>	<u>(45.6)</u>
From continuing operations			
– Basic (<i>HK cents</i>)	<u>8.3</u>	<u>(20.1)</u>	<u>(45.6)</u>
– Diluted (<i>HK cents</i>)	<u>8.3</u>	<u>(20.1)</u>	<u>(45.6)</u>
From discontinued operations			
– Basic (<i>HK cents</i>)	<u>(0.2)</u>	<u>0.1</u>	<u>–</u>
– Diluted (<i>HK cents</i>)	<u>(0.2)</u>	<u>0.1</u>	<u>–</u>

	For the year ended 31 March		
	2019	2020	2021
	(audited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
STATEMENT OF FINANCIAL POSITION			
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	28,329	18,652	15,553
Intangible assets	6,115	577	–
Goodwill	67,582	34,584	–
Interests in associates	46,231	48,393	57,913
Equity investment as fair value through profit or loss	71,000	49,000	28,000
Other financial assets at fair value through profit or loss	10,436	10,772	–
Trade receivables	83,776	57,697	17,894
Finance lease receivables	44,063	29,192	8,206
Deposits and other receivables	1,206	144	45
Deferred tax assets	1,871	10,251	34,331
	<u>360,609</u>	<u>259,262</u>	<u>161,942</u>
Current assets			
Inventories	457	900	832
Trade receivables	322,221	328,697	198,363
Finance lease receivables	12,607	12,977	7,928
Deposits, prepayments and other receivables	22,382	15,879	8,613
Due from an associates	30,353	21,003	19,008
Pledged bank deposits	2,500	2,500	–
Cash and cash equivalents	26,440	9,370	8,204
	<u>416,960</u>	<u>391,326</u>	<u>242,948</u>
Current liabilities			
Trade payables	11,437	11,099	17,269
Contract liabilities	9,704	4,495	641
Accruals, other payables and deposits received	34,579	90,545	137,458
Borrowings	65,055	102,010	82,425
Finance lease obligations	1,471	–	–
Bonds payable	–	–	2,000
Lease liabilities	–	1,969	938
Notes payable	140,000	80,000	76,600
Due to a related company	280	616	952
Due to directors	4,600	10,605	9,421
Provision for taxation	13,854	2,748	2,548
Financial liabilities at fair value through profit or loss	–	–	3,729
	<u>280,980</u>	<u>304,087</u>	<u>333,981</u>

	For the year ended 31 March		
	2019	2020	2021
	(audited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
Net current (liabilities)/assets	<u>135,980</u>	<u>87,239</u>	<u>(91,033)</u>
Total assets less current liabilities	<u>496,589</u>	<u>346,501</u>	<u>70,909</u>
Non-current liabilities			
Trade payables	9,334	16,317	11,017
Deposits received	5,624	5,254	4,160
Bonds payable	–	2,000	–
Borrowings	49,288	–	–
Financial liabilities at fair value through profit or loss	–	3,597	–
Finance lease obligations	1,446	–	–
Lease liabilities	–	1,651	1,183
Notes payable	<u>–</u>	<u>2,600</u>	<u>–</u>
	<u>65,692</u>	<u>31,419</u>	<u>16,360</u>
Net assets	<u><u>430,897</u></u>	<u><u>315,082</u></u>	<u><u>54,549</u></u>
EQUITY			
Share capital	5,500	5,500	6,600
Reserves	<u>426,103</u>	<u>314,522</u>	<u>55,524</u>
Equity attributable to the owners of the Company	431,603	320,022	62,124
Non-controlling interests	<u>(706)</u>	<u>(4,940)</u>	<u>(7,575)</u>
Total equity	<u><u>430,897</u></u>	<u><u>315,082</u></u>	<u><u>54,549</u></u>

Set out below is the audited financial information of the Group for the year ended 31 March 2021 as extracted from the Group's annual results announcement and the Annual Report 2021 for the relevant financial year.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations			
Revenue	5(a)	53,784	126,547
Cost of sales		<u>(27,408)</u>	<u>(56,439)</u>
Gross profit		26,376	70,108
Other income and gains	5(b)	19,676	5,180
Administrative expenses		(25,166)	(59,513)
Selling and distribution costs		(3,448)	(5,285)
Finance costs	6	(55,526)	(18,729)
Other expenses		(278,226)	(108,583)
Share of results of associates		<u>9,551</u>	<u>2,371</u>
Loss before income tax from continuing operations	7	(306,763)	(114,451)
Income tax credit	8(a)	<u>24,229</u>	<u>5,536</u>
Loss for the year from continuing operations		(282,534)	(108,915)
Discontinued operations			
Loss for the year from discontinued operations		<u>–</u>	<u>(2,225)</u>
Loss for the year		<u><u>(282,534)</u></u>	<u><u>(111,140)</u></u>

	Notes	2021 HK\$'000	2020 HK\$'000
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		2,160	(2,679)
Share of other comprehensive income of associates		<u>(31)</u>	<u>(209)</u>
Other comprehensive income for the year, net of tax		<u>2,129</u>	<u>(2,888)</u>
Total comprehensive income for the year		<u><u>(280,405)</u></u>	<u><u>(114,028)</u></u>
Loss for the year attributable to:			
Owners of the Company		(279,797)	(109,762)
Non-controlling interests		<u>(2,737)</u>	<u>(1,378)</u>
		<u><u>(282,534)</u></u>	<u><u>(111,140)</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(277,769)	(112,545)
Non-controlling interests		<u>(2,636)</u>	<u>(1,483)</u>
		<u><u>(280,405)</u></u>	<u><u>(114,028)</u></u>
Loss per share attributable to owners of the Company from continuing and discontinued operations:			
	10		
– Basic (<i>HK cents</i>)		<u>(45.6)</u>	<u>(20.0)</u>
– Diluted (<i>HK cents</i>)		<u>(45.6)</u>	<u>(20.0)</u>
From continuing operations			
– Basic (<i>HK cents</i>)		<u>(45.6)</u>	<u>(20.1)</u>
– Diluted (<i>HK cents</i>)		<u>(45.6)</u>	<u>(20.1)</u>
From discontinued operations			
– Basic (<i>HK cent</i>)		<u>–</u>	<u>0.1</u>
– Diluted (<i>HK cent</i>)		<u>–</u>	<u>0.1</u>

Consolidated Statement of Financial Position*As at 31 March 2021*

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15,553	18,652
Intangible assets		–	577
Goodwill		–	34,584
Interests in associates		57,913	48,393
Equity investment at fair value through profit or loss		28,000	49,000
Other financial assets at fair value through profit or loss		–	10,772
Trade receivables	<i>11</i>	17,894	57,697
Finance lease receivables		8,206	29,192
Deposits and other receivables		45	144
Deferred tax assets	<i>8(b)</i>	<u>34,331</u>	<u>10,251</u>
		<u>161,942</u>	<u>259,262</u>
Current assets			
Inventories		832	900
Trade receivables	<i>11</i>	198,363	328,697
Finance lease receivables		7,928	12,977
Deposits, prepayments and other receivables		8,613	15,879
Due from an associate		19,008	21,003
Pledged bank deposits		–	2,500
Cash and cash equivalents		<u>8,204</u>	<u>9,370</u>
		<u>242,948</u>	<u>391,326</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities			
Trade payables	12	17,269	11,099
Contract liabilities		641	4,495
Accruals, other payables and deposits received		137,458	90,545
Borrowings	13	82,425	102,010
Bonds payable		2,000	–
Lease liabilities		938	1,969
Notes payable	14	76,600	80,000
Due to a related company		952	616
Due to directors		9,421	10,605
Provision for taxation		2,548	2,748
Financial liabilities at fair value through profit or loss		<u>3,729</u>	<u>–</u>
		<u>333,981</u>	<u>304,087</u>
Net current (liabilities)/assets		<u>(91,033)</u>	<u>87,239</u>
Total assets less current liabilities		<u>70,909</u>	<u>346,501</u>
Non-current liabilities			
Trade payables	12	11,017	16,317
Deposits received		4,160	5,254
Bonds payable		–	2,000
Financial liabilities at fair value through profit or loss		–	3,597
Lease liabilities		1,183	1,651
Notes payable	14	<u>–</u>	<u>2,600</u>
		<u>16,360</u>	<u>31,419</u>
Net assets		<u><u>54,549</u></u>	<u><u>315,082</u></u>
EQUITY			
Share capital		6,600	5,500
Reserves		<u>55,524</u>	<u>314,522</u>
Equity attributable to the owners of the Company		62,124	320,022
Non-controlling interests		<u>(7,575)</u>	<u>(4,940)</u>
Total equity		<u><u>54,549</u></u>	<u><u>315,082</u></u>

Consolidated Statement of Cash Flows*For the year ended 31 March 2021*

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before income tax			
Continuing operations		(306,763)	(114,451)
Discontinued operations		<u>–</u>	<u>(2,225)</u>
		(306,763)	(116,676)
Adjustments for:			
Interest income		(493)	(576)
Interest expense		55,126	18,520
Amortisation of intangible assets	7	577	5,538
Depreciation of property, plant and equipment		4,449	6,223
Equity-settled share option expense	7	2,161	643
Gain on disposal of a subsidiary	15	–	(3,614)
Fair value gains on other financial assets at fair value through profit or loss	5(b)	(156)	(336)
Fair value loss on equity investment at fair value through profit or loss	7	21,000	22,000
Fair value loss/(gain) on financial liabilities at fair value through profit or loss	7	191	(18)
Impairment loss of goodwill	7	34,584	32,379
Impairment loss of property, plant and equipment	7	–	270
Losses on disposals of property, plant and equipment	7	61	251
Premium and other charges on life insurance policies		66	127
Loss on modification of financial assets	7	66,016	–
Bad debts written off	7	276	–
Provision for impairment loss of financial assets	7	156,558	50,978
Share of results of associates	16	(9,551)	(2,371)
Reversal of warranty provision, net	7	(632)	(40)
Write-off of inventories	7	<u>20</u>	<u>112</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before working capital changes	23,490	13,410
Decrease/(increase) in inventories	48	(536)
Increase in trade receivables	(35,336)	(30,744)
Decrease in finance lease receivables	8,658	20,135
Decrease in deposits, prepayments and other receivables	7,761	7,547
Increase in trade payables	870	6,688
Increase in amount due to a related company	336	336
Decrease in contract liabilities	(3,854)	(5,056)
(Decrease)/increase in accruals, other payables and deposits received	<u>(429)</u>	<u>6,691</u>
Cash generated from operations	1,544	18,471
Income tax paid	<u>–</u>	<u>(13,950)</u>
Net cash generated from operating activities	<u>1,544</u>	<u>4,521</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(11)	(574)
Proceed from disposals of property, plant and equipment	–	30
Disposal of subsidiary, net of cash disposed	–	2,773
Advance from an associate	–	21,946
Repayments to an associate	–	(12,596)
Repayments from an associate	1,995	–
Advance to an investee	–	(1,362)
Interest received	31	97
Decrease in other financial assets at fair value through profit or loss	10,928	–
Decrease in pledged bank deposits	<u>2,500</u>	<u>–</u>
Net cash generated from investing activities	<u>15,443</u>	<u>10,314</u>

		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from financing activities			
Proceeds from share placement	19	18,260	–
Payments for share placement expenses	19	(549)	–
Proceeds from issue of redeemable preference shares	17	–	3,615
Proceeds from issue of bonds payable	18	–	2,000
Interest paid on borrowings		(4,637)	(4,136)
Interest paid on financial liabilities at FVTPL		(222)	–
Interest on other payables		(3,224)	–
Interest paid on notes		–	(13,987)
Interest element on lease payments		(164)	(300)
Capital element of lease payments		(2,060)	(3,515)
Proceed from borrowings		11,074	30,265
Repayment of borrowings		(30,659)	(42,598)
Proceeds from issue of notes payable		–	2,600
Repayment of notes payable		(6,000)	(10,000)
Advance from a director		–	6,005
Repayments of advances from directors		<u>(1,184)</u>	<u>–</u>
Net cash used in financing activities		<u><u>(19,365)</u></u>	<u><u>(30,051)</u></u>
Net decrease in cash and cash equivalents		(2,378)	(15,216)
Cash and cash equivalents at beginning of the year		9,370	26,440
Effect of foreign exchange rate changes		<u>1,212</u>	<u>(1,854)</u>
Cash and cash equivalents at end of the year		<u><u>8,204</u></u>	<u><u>9,370</u></u>

Notes to the consolidated financial information*For the year ended 31 March 2021***1. GENERAL INFORMATION**

Synergy Group Holdings International Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 14 December 2011. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the “**Group**” hereafter. The Group is principally engaged in the provision of leasing services of energy saving systems, consultancy service and trading of energy saving products.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**(a) Adoption of new/revised HKFRSs – effective 1 April 2020**

In current year, the Group has applied for the first time the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group’s consolidated financial statements for the annual year beginning on 1 April 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁶
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁷
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁶
Amendments to HKAS 8	Definition of Accounting Estimates ⁶
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁶
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 January 2023

⁷ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)- Interpretation 21 Levies, the acquirer applies HK(IFRIC)- Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the

levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendment to HKFRS 16 – Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

Amendments to HKFRS – Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company anticipate that the application of these new/revised HKFRSs will have no material impact on the Group's future financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by Listing Rules.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values. The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

(c) Going concern basis

The Group incurred losses of HK\$282,534,000 for the year ended 31 March 2021 and has net current liabilities of HK\$91,033,000 as at 31 March 2021. Included in the current liabilities of HK\$333,981,000 were borrowings of HK\$82,425,000 (the “**Borrowings**”) and notes payable of HK\$76,600,000 (the “**Notes Payable**”) as at 31 March 2021, out of which HK\$67,463,000 and HK\$54,000,000, respectively were overdue and immediately repayable upon the request by the lenders (the “**Lenders**”). In addition, a number of creditors (the “**SD Creditors**”) filed statutory demands against the Company during the year ended 31 March 2021 in respect with the relevant debts owed by the Group totally of HK\$141,963,000. These were overdue as at 31 March 2021. However, the Group had cash and cash equivalents of HK\$8,204,000 only as at 31 March 2021.

These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the “**Cash Flow Forecast**”) with rescue plans and measures to improve its financial position which include, but are not limited to, the following:

- (i) The Group has been actively negotiating with certain creditors in relation to borrowings of HK\$9,500,000, note payables of HK\$22,600,000, bonds payable of HK\$2,000,000, trade payable of HK\$10,537,000, other payable of HK\$1,207,000, due to a related company of HK\$952,000 and due to directors of HK\$9,421,000 as at 31 March 2021 for the settlement by way of issuance of new shares of the Company, which is subject to obtaining necessary regulatory approvals. Based on the current status of negotiation and process of finalising the underlying terms of the settlement arrangement with all of these creditors, the directors of the Company are confident that this plan would be executed successfully;
- (ii) The Group has been actively negotiating with the SD Creditors against the Company during the year ended 31 March 2021, not to exercise their rights to present the winding-up petition (the “**Petition**”) against the Company in respect of the Group’s other payables, borrowings and note payables that had been overdue, totally amounted to HK\$141,963,000 as at 31 March 2021. As at the date of approval of these consolidated financial statements, the SD Creditors have not exercised their rights to present the Petition against the Company. The directors of the Company are confident that these creditors will not present the Petition based on its advanced negotiations with these creditors;
- (iii) The Group has been actively negotiating with certain creditors in relation to borrowings of HK\$29,480,000, note payables of HK\$54,000,000 and other payables of HK\$67,471,000 as at 31 March 2021 for debt restructuring which include, but are not limited to, by way of the deferral of the repayment on partial principal to the period after 31 March 2022 (the “**Debt Restructuring**”) to improve the cash flows of the Group. The proposed restructuring of debts of the Group in Hong Kong which is subject to obtaining necessary statutory, regulatory, and creditors’ approvals at different stages. Based on the current status of negotiation on the underlying terms of the Debt Restructuring with these creditors, the directors of the Company are confident that the Debt Restructuring plan would be executed successfully;

- (iv) The Group has been actively finalising with a major shareholder for equity financing to enhance the Group's liquidity and provide additional cash resources for its operation, of which the equity financing plan is subject to regulatory approval, the necessary and relevant shareholders' approvals. Based on the finalising process on the underlying terms of the equity financing plan, the directors of the Company expected the estimated size of the equity financing can enhance the Group's liquidity and provide additional cash resources for its operation; and
- (v) Subsequent to the end of the reporting period, the Group has negotiated repayment schedules with certain customers. In addition, the Group would closely monitor the market developments, review collection status of trade receivables and bolster collection capability.

Based on the Cash Flow Forecast assuming the above plans and measures can be successfully implemented as scheduled, the directors of the Company are of the opinion that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, financial information relating to these operations is reported internally and is regularly reviewed by the executive directors, being the chief operating decision maker, based on the following segments:

- (1) Provision of leasing service of energy saving systems;
- (2) Trading of energy saving products; and

- (3) Provision of consultancy service on leasing service of energy saving systems (“**Consultancy service**”)

For the year ended 31 March 2020, the Group has completed the disposal of the business of provision of artificial intelligence (AI) technology services (“**Building AI SaaS**”). In accordance with HKFRS 5, the segments of Business AI SaaS for the years ended 31 March 2020 were presented as discontinued operations in the Group’s consolidated financial statements.

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the year.

	Leasing service of energy saving systems <i>HK\$'000</i>	Trading of energy saving products <i>HK\$'000</i>	Consultancy service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2021				
Revenue from external customers	<u>9,826</u>	<u>24,873</u>	<u>19,085</u>	<u>53,784</u>
Reportable segment loss	<u>(7,673)</u>	<u>(178,960)</u>	<u>5,852</u>	<u>(180,781)</u>
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Depreciation	<u>3,046</u>	<u>–</u>	<u>–</u>	<u>3,046</u>
As at 31 March 2021				
Reportable segment assets	<u>42,791</u>	<u>164,569</u>	<u>41,299</u>	<u>248,659</u>
Reportable segment liabilities	<u>13,656</u>	<u>29,306</u>	<u>15</u>	<u>42,977</u>
Year ended 31 March 2020				
Revenue from external customers	<u>11,161</u>	<u>96,121</u>	<u>19,265</u>	<u>126,547</u>
Reportable segment profit	<u>4,283</u>	<u>5,796</u>	<u>8,347</u>	<u>18,426</u>
Capital expenditure	<u>139</u>	<u>–</u>	<u>–</u>	<u>139</u>
Depreciation	<u>3,258</u>	<u>–</u>	<u>–</u>	<u>3,258</u>
As at 31 March 2020				
Reportable segment assets	<u>68,090</u>	<u>352,699</u>	<u>35,291</u>	<u>456,080</u>
Reportable segment liabilities	<u>12,004</u>	<u>33,948</u>	<u>32</u>	<u>45,984</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment (loss)/profit	(180,781)	18,426
Unallocated corporate income (<i>Note</i>)	3,332	4,714
Unallocated corporate expenses (<i>Note</i>)	(83,339)	(121,233)
Finance costs	(55,526)	(18,729)
Share of results of associates	<u>9,551</u>	<u>2,371</u>
Loss before income tax from continuing operations	<u>(306,763)</u>	<u>(114,451)</u>

Note: Unallocated corporate income mainly includes government grants and management service income (2020: includes the deposit forfeited by a customer)

Unallocated corporate expenses mainly include fair value loss on equity investment at fair value through profit or loss (“FVTPL”), equity-settled share option expense, amortisation of intangible assets, provision for impairment loss of goodwill, legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets from continuing operations	248,659	456,080
Intangible assets	–	577
Goodwill	–	34,584
Interests in associates	57,913	48,393
Equity investment at FVTPL	28,000	49,000
Other financial assets at FVTPL	–	10,772
Pledged bank deposits	–	2,500
Cash and cash equivalents	8,204	9,370
Due from an associate	19,008	21,003
Deferred tax assets	34,331	10,251
Other corporate assets	<u>8,775</u>	<u>8,058</u>
Group assets	<u>404,890</u>	<u>650,588</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment liabilities from continuing operations	42,977	45,984
Borrowings	82,425	102,010
Lease liabilities	2,121	3,620
Settlement payables	47,125	51,125
Notes payable	76,600	82,600
Bonds payable	2,000	2,000
Financial liabilities at FVTPL	3,729	3,597
Provision for taxation	2,548	2,748
Due to a related company	952	616
Due to directors	9,421	10,605
Other corporate liabilities (<i>Note</i>)	<u>80,443</u>	<u>30,601</u>
Group liabilities	<u><u>350,341</u></u>	<u><u>335,506</u></u>

Note: Other corporate liabilities mainly include accruals and other payables for legal and professional fees, salaries and other operating expenses.

The Group's revenue from external customers are divided into the following geographical areas:

	Revenue from external customers (including continuing and discontinued operations)	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domiciled)	21,563	22,865
Japan	–	17,647
Australia	–	26,204
Malaysia	8,131	33,875
Indonesia	4,992	7,787
Macau	19,085	19,265
Other overseas locations	<u>13</u>	<u>1,645</u>
	<u><u>53,784</u></u>	<u><u>129,288</u></u>

The Group's non-current assets are located in Hong Kong and Malaysia, which are divided into the following geographical areas (other than financial assets and deferred tax assets):

	Specified	
	non-current assets	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domiciled)	58,076	84,853
Malaysia	<u>15,390</u>	<u>17,353</u>
	<u><u>73,466</u></u>	<u><u>102,206</u></u>

The geographical location of revenue allocated is based on the location at which the goods were delivered and services were provided. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues (including continuing and discontinued operations). Revenue derived from these customers are as follows:

	Revenue from	
	external customers	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ^{##}	19,085	19,265
Customer B [#]	19,881	14,482
Customer C [#]	N/A	17,647
Customer D [#]	N/A	17,255
Customer E [#]	<u>N/A</u>	<u>13,363</u>

[#] *Attributable to segment of trading of energy saving products*

^{##} *Attributable to segment of consultancy service*

N/A Transactions did not exceed 10% of the Group's revenue

5. REVENUE AND OTHER INCOME AND GAINS

- (a) Revenue represents the income from trading of energy saving products and provision of leasing and consultancy service. An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	24,873	96,121
Consultancy service income	<u>19,085</u>	<u>19,265</u>
	43,958	115,386
Revenue from other sources		
Leasing service income	<u>9,826</u>	<u>11,161</u>
	<u><u>53,784</u></u>	<u><u>126,547</u></u>
Timing of revenue recognition		
At a point in time	<u><u>43,958</u></u>	<u><u>115,386</u></u>

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 March 2021 <i>HK\$'000</i>	31 March 2020 <i>HK\$'000</i>
Trade receivables	204,252	377,643
Contract liabilities	<u>641</u>	<u>4,495</u>

The contract liabilities are mainly related to the advance consideration of sales of goods received from customers.

(b) An analysis of the Group's other income and gains is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Interest income		
– from bank deposits	14	40
– from other financial assets at FVTPL	66	127
– from other receivables	396	352
– from advance to non-controlling interests	<u>17</u>	<u>50</u>
	493	569
Exchange gain, net	15,403	–
Fair value gains on other financial assets at FVTPL	156	336
Government grants (<i>Note</i>)	1,460	–
Management service income	984	–
Others	<u>1,180</u>	<u>4,275</u>
	<u><u>19,676</u></u>	<u><u>5,180</u></u>

Note:

During the year, the Group has received financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme to encourage entities to retain their employees who would otherwise be made redundant. Under the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all of subsidies on paying salaries.

6. FINANCE COSTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	14,983	4,136
Interest on notes payable	26,037	13,987
Interest on other payable	13,318	–
Interest on bonds payable	199	60
Interest on lease liabilities	<u>164</u>	<u>285</u>
	54,701	18,468
Interest on financial liabilities at fair value through profit or loss	425	37
Transaction costs on borrowings	<u>400</u>	<u>224</u>
	<u><u>55,526</u></u>	<u><u>18,729</u></u>

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Amortisation of intangible assets (included in administrative expenses)	577	5,538
Auditor's remuneration	1,450	1,430
Cost of inventories recognised as expenses		
– Cost of inventories sold	20,669	48,951
– Write-off of inventories	20	112
	20,689	49,063
Depreciation of property, plant and equipment		
– Owned	3,088	3,734
– Right-of-use assets	1,361	1,943
	4,449	5,677
Employee benefit expenses (including directors' remuneration)		
– Salaries and welfare	14,995	19,040
– Equity-settled share option expense	2,161	643
– Defined contributions	870	1,114
	18,026	20,797
Reversal of warranty provision, net	(632)	(40)
Bad debts written off	276	–
Provision for impairment loss of financial assets	156,558	50,978
Fair value loss on equity investment at FVTPL	21,000	22,000
Fair value loss/(gain) on financial liabilities at FVTPL	191	(18)
Impairment loss of goodwill	34,584	32,379
Impairment loss of property, plant and equipment	–	270
Loss on disposals of property, plant and equipment	61	251
Net foreign exchange (gain)/loss	(15,403)	27,773
Loss on modification of financial assets (<i>Note</i>)	66,016	–

Note:

Loss on modification of financial assets was mainly due to the discount offered to one of the customers of the Group in return for that customer's guarantee on the monthly minimum amount of settlement.

8. INCOME TAX CREDIT

(a) Income tax

The amount of taxation in the consolidated statement of comprehensive income represents:

	2021	2021	2021	2020	2020	2020
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	operations	operations	Total	operations	operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
- Tax for the year	-	-	-	2,844	-	2,844
- Over-provision in respect of prior years	(149)	-	(149)	-	-	-
	(149)	-	(149)	2,844	-	2,844
Deferred tax						
- Current year	(24,080)	-	(24,080)	(8,380)	-	(8,380)
Income tax credit	(24,229)	-	(24,229)	(5,536)	-	(5,536)

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

Provision for the Enterprise Income Tax (EIT) in the People's Republic of China (the "PRC") is calculated based on a statutory tax rate 25% (2020: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

A subsidiary in Malaysia has elected to pay a lump sum income taxation charge of Malaysian Ringgit ("RM") 20,000 per annum. Another subsidiary in Malaysia has been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Investment Development Authority which exempts 100% of statutory income in relation to its principal activity of provision of energy management systems solutions.

(b) Deferred tax

Details of the deferred tax assets recognised and movements during the year are as follows:

	Impairment loss <i>HK\$'000</i>	Tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	1,688	183	1,871
Credited to profit or loss for the year	<u>8,101</u>	<u>279</u>	<u>8,380</u>
At 31 March 2020 and 1 April 2020	9,789	462	10,251
Credited to profit or loss for the year	<u>23,976</u>	<u>104</u>	<u>24,080</u>
At 31 March 2021	<u><u>33,765</u></u>	<u><u>566</u></u>	<u><u>34,331</u></u>

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2020: Nil).

10. LOSS PER SHARE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company		
– Continuing operations	(279,797)	(110,300)
– Discontinued operations	<u>–</u>	<u>538</u>
Loss from continuing operations and discontinued operations	<u><u>(279,797)</u></u>	<u><u>(109,762)</u></u>
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of shares for the purpose of diluted loss per share	<u><u>614,167</u></u>	<u><u>550,000</u></u>

For the year ended 31 March 2021 and 2020, basic loss per share is the same as diluted loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	426,718	447,169
Less: Provision for impairment loss	<u>(210,461)</u>	<u>(60,775)</u>
Trade receivables, net	<u>216,257</u>	<u>386,394</u>
Classified as:		
Non-current assets (<i>Note</i>)	17,894	57,697
Current assets	<u>198,363</u>	<u>328,697</u>
	<u>216,257</u>	<u>386,394</u>

Note: The Group has offered settlement term to a customer attributed to the segment of trading of energy saving products, interest-bearing of 5% per annum with settlement schedule in 84 months. As such, the fair value of the consideration attributable to the customer is determined by discounting the nominal amount of all future receipts using an imputed rate of interest of 5% per annum.

The following table provides information about trade receivables from contracts with customers and other sources:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from contracts with customers	204,252	377,643
Trade receivables from other sources	<u>12,005</u>	<u>8,751</u>
	<u>216,257</u>	<u>386,394</u>

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days, except for a customer who has been granted the settlement schedules of 84 months from the Group.

Based on invoices date, ageing analysis of the Group's trade receivables (net of provision for impairment loss) is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	21,029	3,497
31 to 90 days	15,874	6,933
91 to 180 days	4,704	5,818
181 to 365 days	8,782	93,578
Over 365 days	<u>165,868</u>	<u>276,568</u>
	<u>216,257</u>	<u>386,394</u>

As at 31 March 2021, trade receivables of approximately HK\$67,276,000 (2020: HK\$137,845,000) were subject to the assignment pursuant to which the Group has assigned receivables of a customer to a bank to secure banking facilities of HK\$28,377,000 (2020: HK\$100,000,000) granted to the Group.

12. TRADE PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>28,286</u>	<u>27,416</u>
Classified as:		
Non-current liabilities	11,017	16,317
Current liabilities	<u>17,269</u>	<u>11,099</u>
	<u>28,286</u>	<u>27,416</u>

Based on goods receipts date, ageing analysis of the Group's trade payables is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	115	110
31 to 90 days	594	63
91 to 180 days	1,343	318
181 to 365 days	850	12,526
Over 365 days	<u>25,384</u>	<u>14,399</u>
	<u><u>28,286</u></u>	<u><u>27,416</u></u>

The Group generally made purchase with various terms, operating on cash on delivery or payment in advance terms, except for a supplier who has granted a settlement schedule of up to 60 months to the Group.

13. BORROWINGS

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured and guaranteed bank loans:			
Amounts repayable within one year	<i>(a)</i>	31,595	22,136
Amounts repayable after one year but contain a repayable on demand clause	<i>(a)</i>	–	35,184
Secured and guaranteed other loans:			
Amounts repayable within one year	<i>(c)</i>	23,097	19,490
Amounts repayable after one year but contain a repayable on demand clause		–	6,617
Unsecured and guaranteed other loans:			
Amounts repayable within one year	<i>(b)</i>	23,233	13,427
Amounts repayable after one year but contain a repayable on demand clause		–	5,156
Unsecured other loans:			
Amounts repayable within one year		<u>4,500</u>	<u>–</u>
Total borrowings		<u><u>82,425</u></u>	<u><u>102,010</u></u>

Notes:

- (a) The balances were overdue as at 31 March 2021. In relation to the bank loan whose carrying amount was HK\$28,377,000 as at 31 March 2021, the Company received two statutory demands dated 19 August 2020 and 23 September 2020 from the legal adviser acting on behalf of the bank, in which the bank is demanding payment from the Group for its indebtedness under certain banking facilities and the related corporate guarantees provided in favour of the bank within 21 days from 19 August 2020 and 23 September 2020 respectively, being the dates of service of the respective statutory demands. Up to the date of approval the consolidated financial statements the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditors.
- (b) The balances of HK\$12,771,000 were overdue as at 31 March 2021. In relation to other loans whose carrying amount was HK\$12,461,000 as at 31 March 2021, the Company received a statutory demand dated 27 October 2020 from the legal adviser acting on behalf of the lender in which the lender is demanding payment from the Group for its indebtedness under a corporate guarantee provided in favour of the lender within 21 days from, the date of the statutory demand. Up to the date of approval the consolidated financial statement, the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditors.
- (c) As at 31 March 2021, other loans of HK\$23,097,000 (2020: HK\$674,000) has been overdue.
- (d) As at 31 March 2021, the bank loans are secured by the finance lease receivables of approximately HK\$13,426,000 (2020: HK\$36,088,000) under the Assignment, trade receivables of approximately HK\$67,276,000 (2020: HK\$137,845,000) under the Assignment and interest in associates of approximately HK\$57,913,000 (2020: HK\$48,393,000). Borrowings are also under the corporate guarantees from the Company and/or Synergy Group Worldwide Limited (“**Synergy Worldwide**”), a subsidiary of the Company.

The bank loans are also secured by the pledged of bank deposits of approximately HK\$2,500,000 and other financial assets at FVTPL of approximately HK\$10,772,000 as at 31 March 2020.

14. NOTES PAYABLE

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$54,000,000 (2020: HK\$60,000,000)			
9.5% Notes	<i>(i)</i>	54,000	60,000
HK\$22,600,000 (2020:HK\$22,600,000)			
2.5% Notes		<u>22,600</u>	<u>22,600</u>
		<u>76,600</u>	<u>82,600</u>
Classified as:			
Current liabilities		76,600	80,000
Non-current liabilities		<u>—</u>	<u>2,600</u>
		<u>76,600</u>	<u>82,600</u>

Note:

- (i) As at 31 March 2021, notes payable of HK\$54,000,000 (2020: HK\$60,000,000) has been due with reference to the terms and repayment schedule of the relevant agreement.

15. DISCONTINUED OPERATIONS

In February 2020, the Group completed to dispose Negawatt Utility Group Holdings Limited (“NU”), 51.87% equity interest held by the Group to an independent third party. The principal activities of NU is Buildings AI SaaS Business, which represented the separated line of major business and is classified as discontinued operations for the year ended 31 March 2020. For the purpose of presenting discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been represented.

The results of the Building AI SaaS Business for the year ended 31 March 2020 are as follows:

	2020 <i>HK\$'000</i>
Revenue	2,741
Cost of sales	<u>(5,363)</u>
Gross loss	(2,622)
Other income and gains	13
Administrative expenses	(3,072)
Selling expenses	(141)
Finance costs	(15)
Other expenses	<u>(2)</u>
Loss before income tax	(5,839)
Gain on disposal of discontinued operations	3,614
Income tax expense	<u>–</u>
Loss for the year from discontinued operations	<u><u>(2,225)</u></u>
Operating cash outflows	(6,639)
Investing cash outflows	(404)
Financing cash outflows	<u>(814)</u>
Total cash outflows	<u><u>(7,857)</u></u>

Employee benefit expense of discontinued Building AI SaaS Business for the year ended 31 March 2020 HK\$4,889,000 included salaries and welfare of HK\$4,677,000 and defined contribution of HK\$212,000.

16. INTERESTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Share of net assets	33,319	23,799
Goodwill	<u>24,594</u>	<u>24,594</u>
	<u>57,913</u>	<u>48,393</u>

Particulars of the associates, which are accounted for using the equity method in the consolidated financial statements as at 31 March 2021, are as follows:

Name of companies	Place and date of incorporation	Issued share capital/registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Kedah Synergy Limited (“Kedah Synergy”) and its subsidiaries (collectively referred to as “Kedah Synergy Group”)					
Kedah Synergy	BVI 18 April 2016	United States Dollar (“US\$”) 10,000	47.5%	–	Investment holding
Kedah Synergy Hong Kong Limited	Hong Kong 4 December 2017	HK\$1	–	47.5%	Trading of energy saving products and provision of cost-saving energy management solutions
Kedah Synergy Corporation (Pty) Ltd.	South Africa 30 October 2017	–	–	47.5%	Provision of cost-saving energy management solutions

All associates are unlisted corporate entities whose quoted market price is not available.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The summarised financial information of Kedah Synergy Group extracted from management accounts prepared in accordance with HKFRS is set out below:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	111,194	90,994
Current assets	14,390	20,274
Current liabilities	<u>(55,439)</u>	<u>(61,165)</u>
Net assets attributable to owners of associates	<u>70,145</u>	<u>50,103</u>
Revenue	52,777	43,699
Profit for the year	20,107	4,991
Other comprehensive income	(65)	(440)
Total comprehensive income	20,042	4,551

Reconciliation to the Group's interests in Kedah Synergy Group as at reporting dates:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets of Kedah Synergy Group	70,145	50,103
Percentage of equity interest attributable to the Group	47.5%	47.5%
The Group's share of Kedah Synergy Group's net assets	33,319	23,799
Goodwill	<u>24,594</u>	<u>24,594</u>
Carrying amount of the Group's interests in Kedah Synergy Group	<u>57,913</u>	<u>48,393</u>

Reconciliation to the Group's share of results of Kedah Synergy Group:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Percentage of equity interest attributable to the Group	47.5%	47.5%
Group's share of profits of the associates	9,551	2,371
Group's share of other comprehensive income of the associates	<u>(31)</u>	<u>(209)</u>
Share of total comprehensive income of the associates	<u>9,520</u>	<u>2,162</u>

17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Redeemable preference shares, at fair value	<u>3,729</u>	<u>3,597</u>

During the year ended 31 March 2020, a subsidiary of the Group has issued 2,000,000 redeemable preference shares to an independent third party at RM1.00 each with the total amount of RM2,000,000 (equivalents to HK\$3,615,000). The redeemable preference shares shall be redeemed in full on the date falling two years after the issuance of the redeemable preference shares.

The preference shares will be redeemed in cash at an amount equal to the subscription price at RM1.00 per share plus interest at the rate of 12% per annum to the holder of the preference shares.

The management has designated the redeemable preference shares as financial liabilities at FVTPL as it is managed and its performance is evaluated on a fair value basis. For the year ended 31 March 2021, a fair value loss of HK\$191,000 (2020: a fair value gain of HK\$18,000) of the redeemable preference shares was recognised.

18. BONDS PAYABLE

On 18 November 2019, the Company issued the bond with principal amount at HK\$2,000,000 to an independent third party, which will mature on the second anniversary of the date of issue of the bond bears interest at 10% per annum. The Company has the right to early redeem, after the first anniversary of the date of issue, the corporate bond by giving prior notice to and obtaining written approval from the corporate bond holder.

The corporate bond was issued for the working capital purpose.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bonds Payable	<u>2,000</u>	<u>2,000</u>
Classified as:		
Current liabilities	2,000	–
Non-current liabilities	<u>–</u>	<u>2,000</u>

19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019, 31 March 2020 and 1 April 2020 and 31 March 2021	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 1 April 2020	550,000,000	5,500
Issue of shares by share placement (<i>Note</i>)	<u>110,000,000</u>	<u>1,100</u>
At 31 March 2021	<u>660,000,000</u>	<u>6,600</u>

Note:

On 2 September 2020, the Company issued 110,000,000 shares by way of placing at HK\$0.166 each. Net proceeds of HK\$17,711,000 were raised, comprising share capital of HK\$1,100,000 and share premium of HK\$17,160,000, net of share placement expenses of HK\$549,000.

Disclaimer of opinion for the year ended 31 March 2021

As set out in the Annual Report 2021, the Auditor considered not to express an opinion on the consolidated financial statement of the Group. Because of the significance of the matter (see below the basis for disclaimer of opinion for the year ended 31 March 2021) the Auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in the Auditor's opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion for the year ended 31 March 2021

The Group incurred losses of HK\$282,534,000 for the year ended 31 March 2021 and has net current liabilities of HK\$91,033,000 as at 31 March 2021. Included in the current liabilities of HK\$333,981,000 were borrowings of HK\$82,425,000 and notes payable of HK\$76,600,000 as at 31 March 2021, out of which HK\$67,463,000 and HK\$54,000,000, respectively were overdue and immediately repayable upon the request by the lenders. In addition, SD Creditors filed statutory demands against the Company during the year ended 31 March 2021 in respect of the relevant debts owed by the Group totally of HK\$141,963,000. These were overdue as at 31 March 2021. However, the Group had cash and cash equivalents of HK\$8,204,000 only as of 31 March 2021.

Although the above-mentioned circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The Directors have prepared a cash flow forecast which takes into account of rescue plans and measures (the "**Director's Assessment**"). Based on the Directors' Assessment, assuming the plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis. As such, the appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those plans and measures that can be successfully implemented as scheduled.

However, in respect of the assumptions that the Group would successfully (i) negotiate with certain creditors for settlement by way of issuance of new Shares of the Company; (ii) negotiate with the SD Creditors not to exercise their rights to present the winding-up petition against the Company, and (iii) negotiate with certain creditors for debt restructuring by way of which included, but are not limited to, the deferral of the repayment on partial principal to the period after 31 March 2022, the Directors have not provided the Auditor the supportable evidence from (i) certain creditors in relation to borrowings of HK\$9,500,000, note payables of HK\$22,600,000, bonds payable of HK\$2,000,000, trade payable of HK\$10,537,000, other payable of HK\$1,207,000 as at 31 March 2021 for their agreement on the settlement by way of issuance of new shares of the Company; (ii) SD Creditors for their agreement not to exercise their rights to execute the winding-up petition against the Company; and (iii) a creditor in relation to note payables of HK\$54,000,000 for agreement on debt restructuring by way of the deferral of the repayment on partial principal to the period after 31 March 2022.

Due to the limitations on the Auditor's scope of work as stated above and no alternative audit procedures that the Auditor can perform, the Auditor were unable to obtain sufficient appropriate evidence to conclude whether the Directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Disclaimer of opinion for the Year 2020

As set out in the annual report of the Company for the year ended 31 March 2020 (the "**Annual Report 2020**"), the Auditor considered not to express an opinion on the consolidated financial statement of the Group. Because of the significance of the matter (see below) the Auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in the Auditor's opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion for the Year 2020

The Group incurred losses of HK\$111,140,000 for the year ended 31 March 2020 and has current liabilities of HK\$304,087,000 as at 31 March 2020. Included in the current liabilities were borrowings of HK\$674,000 (the "**2020 Borrowings**") and notes payable of HK\$60,000,000 (the "**2020 Notes Payable**") as at 31 March 2020, that were overdue and immediately repayable upon the request by the lenders (the "**2020 Lenders**").

In addition, the Group had cash and cash equivalents of HK\$9,370,000. Based on the historical settlement profile of the trade debtors and other operating cash flows projections, the Directors were aware of that the Group may not be able to settle the 2020 Borrowings and the 2020 Notes Payable upon the request of immediate settlement from the 2020 Lenders.

These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the Directors have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period which have taken into account certain plans and measures as set out in note 3(c) to the consolidated financial statements of the Annual Report 2020 (the “**2020 Cash Flow Forecast**”). Based on the 2020 Cash Flow Forecast, the Directors are of the opinion that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements of the Annual Report 2020 on a going concern basis.

The appropriateness of the consolidated financial statements prepared of the Annual Report 2020 on a going concern basis largely depends on whether the assumptions underlying the 2020 Cash Flow Forecast are reasonable and supportable.

However, in respect of the assumptions that the Group will successfully (i) renew or extend the repayment date of the overdue notes payable amounting to HK\$60,000,000 as at 31 March 2020; and (ii) obtain new financing to enhance the Group's liquidity, we sought but failed to obtain sufficient evidence and details to support that such assumptions are feasible and reasonable.

Due to the limitations on the Auditor's scope of work as stated above and no alternative audit procedures that the Auditor can perform, the Auditor were unable to obtain sufficient appropriate evidence to conclude whether the Directors' use of the going concern basis of accounting to prepare the consolidated financial statements of the Annual Report 2020 is appropriate.

The Director's Assessment

In view of such circumstances, the Directors have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the “**Cash Flow Forecast**”) with rescue plans and measures to improve its financial position which include, but are not limited to, the following:

- (i) the Group has been actively negotiating with certain creditors in relation to borrowings of HK\$9,500,000, note payables of HK\$22,600,000, bonds payable of HK\$2,000,000, trade payable of HK\$10,537,000, other payable of HK\$1,207,000, due to a related company of HK\$952,000 and due to Directors of HK\$9,421,000 as at 31 March 2021 for the settlement by way of issuance of new Shares of the Company, which is subject to obtaining necessary regulatory approvals. Based on the status of negotiation as at 31 March 2021 and process of finalising the underlying terms of the settlement arrangement with all of these creditors, the Directors are confident that this plan would be executed successfully;
- (ii) the Group has been actively negotiating with SD Creditors during the year ended 31 March 2021 not to exercise their rights to present the winding-up petition (the “**Petition**”) against the Company in respect of the Group’s other payables, borrowings and note payables that had been overdue, totally amounted to HK\$141,963,000 as at 31 March 2021. As at the date of approval of these consolidated financial statements, the SD Creditors have not exercised their rights to present the Petition against the Company. The Directors are confident that these creditors will not present the Petition based on its advanced negotiations with these creditors;
- (iii) the Group has been actively negotiating with certain creditors in relation to borrowings of HK\$29,480,000, note payables of HK\$54,000,000 and other payables of HK\$67,471,000 as at 31 March 2021 for debt restructuring which include, but are not limited to, by way of the debt restructuring to improve the cash flows of the Group. The proposed restructuring of debts of the Group in Hong Kong which is subject to obtaining necessary statutory, regulatory, and creditors’ approvals at different stages. Based on the status of negotiation as at 31 March 2021 on the underlying terms of the Debt Restructuring with these creditors, the Directors are confident that the Debt Restructuring plan would be executed successfully;
- (iv) the Group has been actively finalising with a major shareholder (i.e. Mr. Wong) for equity financing to enhance the Group’s liquidity and provide additional cash resources for its operation, of which the equity financing plan is subject to regulatory approval, the necessary and relevant Shareholders’ approvals. Based on the finalising process on the underlying terms of the equity financing plan, the Directors expected the estimated size of the equity financing can enhance the Group’s liquidity and provide additional cash resources for its operation; and
- (v) subsequent to the end of the reporting period, the Group has negotiated repayment schedules with certain customers. In addition, the Group would closely monitor the market developments, review collection status of trade receivables and bolster collection capability.

Based on the Cash Flow Forecast assuming the above plans and measures can be successfully implemented as scheduled, the Directors are of the opinion that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. WORKING CAPITAL

After taking into account the financial resources available to the Group, including the net proceeds from the Subscription Agreement, the settlement of loans through the Connected Conversion Agreements and the Settlement Agreements, together with the Potential Loan to increase the liquidity and the potential debt restructuring with certain creditors, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

For further details of the on-going basis assessed by the Directors, please refer to the section headed "The Director's Assessment" of the Appendix I of this circular.

3. BUSINESS TREND AND TRADING AND FINANCIAL PROSPECT

The Group expects the operating environment in 2021 and the near future to remain challenging. The COVID-19 situation is still very serious around the globe. Lockdowns have been repeatedly imposed in a lot of countries, some of which are major markets to the Group. On the other hand, the Company was not able to repay its overdue borrowings and a number of creditors had filed statutory demands against the Company. Since the Company was unable to repay the relevant indebtedness within 21 days from the date of service of the relevant statutory demands, each of the relevant SD Creditors is entitled to present a winding up petition against the Company at any time at their discretions. The Company expects that it may further receive statutory demands from other creditors in relation to other overdue indebtedness, which may result in further possible legal action(s) against the Company. Over the past few months, the Directors and the management have been exploring means to enhance the financial position of the Group. There are plans arranged, which are subject to obtaining necessary statutory, regulatory, and creditor's approvals at different stages, which can immensely improve the cash flows of the Group and the Directors are confident that the plans would be executed successfully.

After the cash flow issues are solved, the Group will be in a much better position to continue its core business and the Group believes that green business is becoming ever more important due to what the pandemic has done to the world. According to World Bank, global output is rebounding but is expected to remain about 2 percent below pre-pandemic projections by 2022. And to help repair the damage from the pandemic, reforms that bolster a green, resilient, and inclusive recovery will be needed. A comprehensive set of policies will be required to promote a strong recovery that mitigates inequality and enhances environmental sustainability, ultimately putting economies on a path of green resilient, and inclusive development. Investments in green infrastructure, climate-smart agricultural technologies, and climate resilience – combined with sustainable energy policies – can play a pivotal role in increasing the use of renewable energy sources and lowering greenhouse gas emissions.

The Group will strive to maintain its performance in its core business to generate recurring and stable income while undertaking business expansion in accelerating the company growth.

As a matter of fact, the Group is currently in active discussion with relevant customers and business partners to (i) kick-start projects which the Group have previously entered into relevant contracts with them; and (ii) speed up negotiation with the relevant counterparties on potential new projects such that the relevant projects can commence soon after the conclusion of the proposed corporate rescue plan, of which the relevant details as at the date of the Latest Practicable Date are set out below:

Hong Kong

The Group has approached various counterparties regarding, among others, the provision of design, supply, and installation services of photovoltaic power systems, which includes (i) the tender submission to Dairy Farm Group with the expected contract sum of approximately HK\$6 million; (ii) the proposal for Harrow International School Hong Kong regarding the provision of solar photovoltaic panel with the expected contract sum of approximately HK\$13 million; and (iii) arrangement of site visits for eight hotels under the Dorsett Hotel Group regarding the provision of solar LED photovoltaic panel with the expected contract sum of approximately HK\$22 million.

Malaysia

The Group is in advance negotiation with Odesi Integrasi Sdn Bhd (“ODESI”) regarding the finalisation of the terms of a memorandum of understanding regarding the provision of lighting equipment by the Group to ODESI. The total contract sum, if materialise, is expected to be approximately USD161.3 million with a term of five years, which is expected to derive an annual revenue of approximately USD32.35 million for the Group.

Dominican Republic

The Group is in active negotiation with the Consulate General of the Dominican Republic Hong Kong (“**Dominican Consulate**”) regarding the investment and development of photovoltaic solar energy plants in the Dominican Republic. Pursuant to a written reply from the Dominican Consulate dated 27 August 2021, the Dominican Consulate shall further follow up with the Ministry of Energy and Mining and Ministry of Foreign Affairs of the Dominican Republic to proceed towards executing a memorandum of understanding and feasibility study with the Group within the next 10 days.

The Group has commenced discussion with a financial adviser in the PRC to line up with a number of state-owned enterprises and central-owned enterprises in the PRC. With the support of these state-owned enterprises and central-owned enterprises, it is expected that the Company will adopt the “Build – Operate – Transfer (BOT)” model for the construction and operation of this project.

Based on the preliminary estimation of the management, the relevant contract, if materialise, is expected to derive an annual revenue of approximately USD371.0 million for the Group during the relevant contract terms.

South Africa

The Group is in advance negotiation with Shoprite regarding the provision of lighting equipment by the Group to Shoprite at a number of its facilities and locations. The aggregate contract sum of the relevant contracts, if materialise, is expected to be approximately HK\$105.9 million up to the year of 2032 and would derive an annual revenue of approximately USD10.6 million for the Group during the relevant contract terms.

4. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the aggregate percentage of purchase attributable to the Group’s five largest suppliers is approximately 100% of the total purchases of the Group and the largest supplier included therein amounted to approximately 98.8%. For the year ended 31 March 2021, the aggregate percentage of sales attributable to the Group’s five largest customers is approximately 88.3% of the total sales of the Group and the largest customer included therein amounted to approximately 37.0%. At no time during the year have the Directors, chief executive, substantial Shareholders or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company’s issued shares) had any interest in these major customers and suppliers.

5. INDEBTEDNESS

At the close of business on 30 September 2021, the Group had the following indebtedness:

	<i>HK\$'000</i>
Borrowings	80,874
Notes payable	56,870
Other payables	52,000
Bonds payable	2,000
Financial liabilities at fair value through profit or loss	3,704
Due to Directors	<u>22,885</u>
Total	<u><u>218,333</u></u>

Lease Liabilities

The Group measures the lease liabilities at present value of the remaining lease payments for certain office premises, discounted by the Group's incremental borrowing rates under HKFRS 16. As at 30 September 2021, the Group had lease liabilities amounting to approximately HK\$5,206,000.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 30 September 2021, the Group did not have any material debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges or other material contingent liabilities or guarantees.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into HK\$ at the appropriate exchange rates prevailing as at the close of business on 30 September 2021.

The Directors have confirmed that there is no material change in the indebtedness and contingent liability of the Group from the close of business on 30 September 2021 to the Latest Practicable Date.

6. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up and up to the Latest Practicable Date:

1. as disclosed in “Monthly Return for Equity Issuer and Hong Kong Depositary Receipts listed under Chapter 19B of the Exchange Listing Rules on Movements in Securities” for the month ended 31 July 2021, 2,806,000 Shares were allotted and issued by the Company pursuant to the exercise of 2,806,000 Share Options at an exercise price of HK\$0.29 per Share on 2 July 2021. All these Shares were allotted and issued to employees of the Group (not being directors or chief executive officer of any member of the Group); and
2. as disclosed in the Joint Announcement and the joint announcement dated 20 September 2021, between 27 July 2021 and 16 September 2021, CCBI, on behalf of Mr. Lam, sold a total of 36,114,437 Shares beneficially owned by Mr. Lam which were served as Collateral against the repayment obligation of the Company in relation to the CCBI Note, for a gross consideration of approximately HK\$13,740,154. The CCBI Note was due on 16 November 2019 with the principal amount of HK\$80,000,000. Net proceeds from the sales were applied as partial repayment of the CCBI Note.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than that relating to the Subscriber and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscriber and parties acting in concert with it contained in this circular has been supplied by the sole director of the Subscriber, Mr. Wong. The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular by him have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL**(a) Share capital of the Company**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) share capital immediately upon Connected Issue Completion and Settlement Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Connected Issue Completion and Settlement Completion, save for the allotment and issuance of the Subscription Shares, the Conversion Shares and the Settlement Shares); and (iii) share capital immediately upon Connected Issue Completion and Settlement Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Connected Issue Completion and Settlement Completion and upon full exercise of the existing Share Options, save for the allotment and issuance of the Subscription Shares, Conversion Shares and the Settlement Shares) as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal value per Share (as the case may be)	Number of Shares (as the case may be)
Authorised:		
Ordinary Shares	<u>HK\$0.01</u>	<u>50,000,000,000</u>
Issued and fully paid:		
Ordinary Shares	<u>HK\$0.01</u>	<u>662,806,000</u>

(ii) Share capital immediately upon Connected Issue Completion and Settlement Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Connected Issue Completion and Settlement Completion, save for the allotment and issuance of the Subscription Shares, the Conversion Shares and the Settlement Shares)

	Nominal value per Share (as the case may be)	Number of Shares (as the case may be)
Authorised:		
Ordinary Shares	<u>HK\$0.01</u>	<u>50,000,000,000</u>
Issued and fully paid:		
Subscription Shares, Conversion Shares and Settlement Shares to be issued pursuant to the Subscription, the Connected Conversion and the Settlement	<u>HK\$0.01</u>	<u>1,700,940,000</u>
Shares in issue upon Connected Issue Completion and Settlement Completion	<u>HK\$0.01</u>	<u>2,363,746,000</u>

(iii) Share capital immediately upon Connected Issue Completion and Settlement Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Connected Issue Completion and Settlement Completion and upon full exercise of the existing Share Options, save for the allotment and issuance of the Subscription Shares, the Conversion Shares and the Settlement Shares)

	Nominal value per Share or preference shares (as the case may be)	Number of Shares or preference shares (as the case may be)
Authorised:		
Ordinary Shares	<u>HK\$0.01</u>	<u>50,000,000,000</u>
Issued and fully paid:		
Subscription Shares, Conversion Shares and Settlement Shares to be issued pursuant to the Subscription, the Connected Conversion and the Settlement	<u>HK\$0.01</u>	<u>1,700,940,000</u>
Shares in issue upon exercise of all existing Share Options	<u>HK\$0.01</u>	<u>22,811,000</u>
Shares in issue upon Connected Issue Completion and Settlement Completion	<u>HK\$0.01</u>	<u>2,386,557,000</u>

All issued Shares rank equally in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. No part of equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company, being proposed to be, sought on any other stock exchange. Holders of the fully paid Subscription Shares, Conversion Shares and Settlement Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Subscription Shares, Conversion Shares and Settlement Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

Since 31 March 2021 (the date to which the latest published audited financial statements of the Company were made up), and up to the Latest Practicable Date, the Company had issued 2,806,000 Shares at the exercise price of HK\$0.29 per Share upon the exercise of Share Options under Share Option Scheme and were all fully paid up. Save as the aforementioned alteration in the share capital of the Company, there has been no alteration in the capital and no alteration in the capital under option of the any member of the Group. There are no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares since 31 March 2021 to the Latest Practicable Date.

(b) Share Options

Date of grant	Exercise price <i>(HK\$/Share)</i>	Number of outstanding Share Options	Exercise period
2 April 2020	0.290	20,000,000	2 April 2020 – 1 April 2022
2 April 2020	0.290	167,250	2 July 2021 – 1 April 2023
2 April 2020	0.290	881,250	2 October 2021 – 1 April 2023
2 April 2020	0.290	881,250	2 January 2022 – 1 April 2023
2 April 2020	0.290	<u>881,250</u>	2 April 2022 – 1 April 2023
		<u>22,811,000</u>	

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

Save and except for the allotment and issuance of 2,806,000 Shares on 2 July 2021 following the exercise of Share Options, the Company had not issued any Shares since 31 March 2021 (being the date on which its latest published audited financial statements of the Group) and up to and including the Latest Practicable Date.

3. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share (HK\$)
31 March 2021	0.128
30 April 2021	0.223
31 May 2021	0.550
30 June 2021	0.500
30 July 2021	0.495
31 August 2021	0.395
15 September 2021 (being the Last Trading Day)	0.540
30 September 2021	0.430
29 October 2021	0.430
12 November 2021 (being the Latest Practicable Date)	0.540

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.670 on 18 June 2021 and HK\$0.116 on 17 March 2021 and 7 April 2021, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were; or (d) required to be disclosed under the Takeovers Code as follows:

Name of Directors	Capacity	Nature of interest	Number of Shares/ underlying Shares	Percentage of shareholding
Mr. Wong (Note 2)	Interest of controlled corporation	Ordinary Shares	53,249,204 (S)	8.03%
	Beneficial owner	Share Options	5,500,000 (L) (Note 4)	0.83%
Mr. Lam	Beneficial owner	Share Options	5,500,000 (L) (Note 4)	0.83%
Cheung Yick Hung Jackie	Beneficial owner	Ordinary Shares	100,000 (L) (Note 5)	0.15%
	Beneficial owner	Share Options	25,000 (L) (Note 6)	0.0038%
Chung Koon Yan	Beneficial owner	Share Options	25,000 (L) (Note 6)	0.0038%
Wong Chi Ying Anthony	Beneficial owner	Share Options	25,000 (L) (Note 6)	0.0038%

Notes:

- The letters “L” and “S” denote the person’s long position and short position in such Shares respectively.
- Abundance Development Limited is wholly-owned by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the Shares owned by Abundance Development Limited.
- The total number of issued Shares as at the Latest Practicable Date was 662,806,000.
- These Shares represented 5,500,000 underlying Shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme, exercisable at a price of HK\$0.29 per Share during a period from 2 April 2020 to 1 April 2022.
- These Shares represented 100,000 Shares beneficially owned by Mr. Cheung Yick Hung Jackie.
- These Shares represented 25,000 underlying Shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme, exercisable at a price of HK\$0.29 per Share during the period from 2 July 2021 to 1 April 2023. These Share Options are vested and become exercisable in four tranches in the proportion of 25%, 50%, 75% and 100% on 2 July 2021, 2 October 2021, 2 January 2022 and 2 April 2022 respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code.

(b) Substantial Shareholders

So far as the Directors are aware, as at the Latest Practicable Date, the persons/entities (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name of Shareholder	Capacity	Nature of interest	Number of Shares/ underlying Shares	Percentage of shareholding
Abundance Development Limited (Note 2)	Beneficial owner	Ordinary Shares	53,249,204 (S)	8.03%
Cai Linda Xin Xin (Note 3)	Interest of spouse	Ordinary Shares	53,249,204 (S)	8.03%
	Interest of spouse	Share Options	5,500,000 (L)	0.83%
Central Huijin Investment Ltd (Note 4)	Interest of controlled corporation	Ordinary Shares	53,249,204 (L)	8.03%
China Construction Bank Corporation (Note 4)	Interest of controlled corporation	Ordinary Shares	53,249,204 (L)	8.03%
CCB International Group Holdings Limited (Note 4)	Interest of controlled corporation	Ordinary Shares	53,249,204 (L)	8.03%

Name of Shareholder	Capacity	Nature of interest	Number of Shares/ underlying Shares	Percentage of shareholding
CCB Financial Holdings Limited (Note 4)	Interest of controlled corporation	Ordinary Shares	53,249,204 (L)	8.03%
CCB International (Holdings) Limited (Note 4)	Interest of controlled corporation	Ordinary Shares	53,249,204 (L)	8.03%
CCBI Investments Limited (Note 4)	Interest of controlled corporation	Ordinary Shares	53,249,204 (L)	8.03%
Wan Tai Investments Limited (Note 4)	Person having a security interest in shares	Ordinary Shares	53,249,204 (L)	8.03%
Xiong Xiaoshan	Beneficial owner	Ordinary Shares	33,150,000 (L)	5.00%
Poon Ka Ho Stanley	Beneficial owner	Ordinary Shares	33,810,177 (L)	5.12%

Notes:

- The letters “L” and “S” denote the person’s/entity’s long position and short position in such Shares respectively.
- Abundance Development Limited is wholly-owned by Mr. Wong.
- Ms. Cai Linda Xin Xin is the spouse of Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the Shares owned by Abundance Development Limited, and Ms. CAI Linda Xin Xin is deemed to be interested in all the Shares in which Mr. Wong is interested.
- Wan Tai Investments Limited is wholly controlled by CCBI Investments Limited, which is in turn wholly controlled by CCB International (Holdings) Limited, which is in turn wholly controlled by CCB Financial Holdings Limited, which is in turn wholly controlled by CCB International Group Holdings Limited, which is in turn wholly controlled by China Construction Bank Corporation, which 57.11% shares in turn controlled by Central Huijin Investment Ltd.
- The total number of issued Shares as at the Latest Practicable Date was 662,806,000.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons/entities who had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO.

5. DIRECTORS AND SENIOR MANAGEMENT**a. Name and address*****Executive Directors***

Name	Address
Mr. Wong	Room 47, 7/F, Tower 7, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Repulse Bay, Hong Kong
Mr. Lam	4/F, Blue Pool Court, 6 Holly Road, Happy Valley, Hong Kong

Independent non-executive Directors

Name	Address
Mr. Chung Koon Yan	Flat A, 2/F, Full View Court, 7-9 Happy View Terrace, Happy Valley
Mr. Cheung Yick Hung Jackie	21/F, Lee Garden 2, No. 28 Yun Ping Road, Causeway Bay, Hong Kong
Dr. Wong Chi Ying Anthony	Room B, 6/F, Block 3, Flora Garden, 7 Chun Fai Road, Tai Hang, Hong Kong

Senior Management

Name	Address
Mr. Cheng Chi Kuen	Room 806, Block B, Fu Keung Court, Lok Fu, Kowloon

b. Qualification and position held***Executive Directors***

Mr. Wong, aged 47, is the Chief Executive Officer, Chairman and an executive Director. He is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company, and was appointed as the chief executive officer of Synergy Lighting Limited on 1 July 2009. He was appointed as a Director on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of the Group. Mr. Wong graduated from the University of Arizona, Arizona, the United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 15 years of management experience. Mr. Wong is the sole director and sole shareholder of Mpplication Group Limited, which provides information technology management services to the Group. Mr. Wong is the sole director and sole shareholder of Abundance Development Limited, which is one of the substantial Shareholders.

Mr. Lam, aged 36, is the vice chairman of the Board, an executive Director. He was appointed as a Director and Vice Chairman of the Company on 30 December 2011 and 3 February 2016 respectively, and is responsible for overseas development and research and development of the Group. Mr. Lam is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company. Mr. Lam graduated from the University of Notre Dame, Indiana, the United States, with a Bachelor's degree in Mechanical Engineering in May 2008. Before joining our Group, Mr. Lam was an Associate (Trade Support and Risk Management) in Myo Capital Advisers Limited from November 2008 to June 2009. Mr. Lam is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter).

Independent non-executive Directors

Mr. Chung Koon Yan (“**Mr. Chung**”), aged 57, is an independent non-executive Director, the Chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of the Company since 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master’s Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants in October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants in October 1998, and was also admitted as an associate of The Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and Dickson Wong C.P.A. Company Limited, and has more than 24 years’ experience in accounting, auditing and taxation. Mr. Chung has been an independent non-executive director of Great World Company Holdings Limited (stock code: 8003), the shares of which are listed on the GEM operated by the Stock Exchange since May 2008, and an independent non-executive director of Winson Holdings Hong Kong Limited (stock code: 6812), the shares of which are listed on the Main Board (transfer of listing of its shares from GEM of the Stock Exchange to Main Board on 11 June 2020) since February 2017. From November 2013 to June 2021, Mr. Chung served as an independent non-executive director of Asian Citrus Holdings Limited (stock code: 73), the shares of which are listed on the Main Board.

Mr. Cheung Yick Hung Jackie (“**Mr. Cheung**”), aged 53, is an independent non-executive Director, the Chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company since 5 March 2015. Mr. Cheung has been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively since 29 March 2011. He currently also serves as a Consultant Solicitor of Messrs. Cheung & Yeung, Solicitors (張國鈞楊煒凱律師事務所). Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively. Mr. Cheung served as a District Councillor of the Central and Western District Council for the period from 1 January 2008 to 31 December 2015.

Dr. Wong Chi Ying Anthony (“**Dr. Wong**”), aged 65, is an independent non-executive Director, the Chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration Committee of the Company since 5 March 2015. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B. Tech (Hons) degree and a Ph.D degree in Chemical Engineering from The University of Bradford, United Kingdom, in December 1980 and in December 1983 respectively. Dr. Wong became a Corporate Member of The Institution of Chemical Engineers (MIChemE) and Chartered Engineer (C.Eng) of the Engineering Council of the United Kingdom, in November 1999 and December 1999 respectively. On 1 June 2004, he obtained a status as a Chartered Scientist (CSci) from The Institution of Chemical Engineers and The Science Council of the United Kingdom. He was also admitted as a member of The Hong Kong Institution of Engineers on 16 March 2000. From April 2003 to November 2018, he served as the vice chairman and an executive director of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on the Stock Exchange, and was in charge of its research and development centre and responsible for its business development and remained in such company as a consultant subsequent to his cessation from the positions mentioned above until 31 March 2019.

Senior management

Mr. Cheng Chi Kuen (“**Mr. Cheng**”), aged 48, is the Chief Operation Officer of the Group since June 2011. He is responsible for overseeing business operations, sales and marketing, office administration and human resources management. He has over 10 years of management experience. He was the co-founder and a director of Synergy Green Technology Limited. Synergy Green Technology Limited is one of the shareholders of Synergy Cooling Management Limited (indirectly non-wholly owned subsidiary of the Company), which holds approximately 33.7% interest of the entire issued share capital of Synergy Cooling Management Limited. Mr. Cheng was previously employed by Zymmetry Limited (formerly known as Mission System Consultant Limited), a global sourcing and manufacturing solutions provider for the apparel industry. During his time at Zymmetry Limited, Mr. Cheng had held various positions and subsequently as senior marketing manager of Asia Pacific region at the time when he left Zymmetry Limited. He has obtained a Master’s degree in Business Administration offered by the University of Bradford, United Kingdom, in July 2013.

6. DIRECTORS' SERVICE CONTRACTS

There is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Joint Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. DIRECTOR'S INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- none of the Directors had any direct or indirect interests in any assets which have acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2021 (being the date of which the latest published audited financial statements of the Group were made up);
- Save and except for the Subscription Agreement and the Connected Conversion Agreements, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- Save and except for the Subscription Agreement and the Connected Conversion Agreements, there were no material contracts entered in which any Director had a material personal interest.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had interests in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

9. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date, other than the Subscription Agreement and Connected Conversion Agreements:

- (a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreement, the Connected Conversion Agreements or the Whitewash Waiver;
- (b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on/or dependent upon the outcome of the Subscription Agreement, the Connected Conversion Agreements or Whitewash Waiver otherwise connected with the Subscription Agreement, the Connected Conversion Agreements or the Whitewash Waiver;
- (c) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director regarding any benefit to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreement, the Connected Conversion Agreements or the Whitewash Waiver; and
- (d) none of the Directors was materially interested in any material contract entered into by the Subscriber.

10. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

- (a) As at the Latest Practicable Date, none of the Subscriber and parties acting in concert with it were interested in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares, save for (i) 53,249,204 Shares (representing approximately 8.03% of the issued share capital of the Company as at the Latest Practicable Date) held by the Subscriber; (ii) 5,500,000 Share Options held by Mr. Wong entitling him to subscribe 5,500,000 Shares of the Company upon full exercise of the aforementioned Share Options; (iii) 2,418,000 Shares (representing approximately 0.36% of the issued share capital of the Company as at the Latest Practicable Date) held by Ms. Yeung Betty; and (iv) 5,500,000 Share Options of the Company held by Mr. Lam entitling him to subscribe 5,500,000 Shares of the Company upon full exercise of the aforementioned Share Options, and none of them has dealt for value in any securities of the Company during the Relevant Period, save for the Forced Disposals.

- (b) As at the Latest Practicable Date, the sole director of the Subscriber, Mr. Wong, had no interest in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares, save for (i) 53,249,204 Shares (representing approximately 8.03% of the issued share capital of the Company as at the Latest Practicable Date) held by the Subscriber; and (ii) 5,500,000 Share Options of the Company held by Mr. Wong entitling him to subscribe 5,500,000 Shares of the Company upon full exercise of the aforementioned Share Options.
- (c) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber and any parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder having any connection with or dependence upon the Subscription, the Connected Conversion and/or the Whitewash Waiver.
- (d) As at the Latest Practicable Date, the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period.
- (e) As at the Latest Practicable Date, save for Mr. Wong being the registered and beneficial owner of the Subscriber, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period.
- (f) Save for the Shares owned by Mr. Lam sold under Forced Disposals, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (g) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or convertible securities, options, warrants or derivatives of the Company, or had dealt for value in any such securities of the Company during the Relevant Period.

- (h) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivative of the Company during the Relevant Period.
- (i) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Subscriber or any person who is presumed to be acting in concert with it during the Relevant Period.
- (j) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any such securities of the Company during the Relevant Period.
- (k) As at the Latest Practicable Date, Ms. Yeung Betty and the Subscriber (which is controlled by Mr. Wong acting as its sole beneficial owner) will be required to abstain from voting on the resolutions approving the transactions contemplated under the Subscription, the Connected Conversion, the Settlement and/or the Whitewash Waiver. Mr. Cheung Yick Hung Jackie indicated his intention to abstain from the aforesaid resolutions for the purpose of good corporate governance. The other Directors (being Mr. Lam, Mr. Chung Koon Yan and Dr. Wong Chi Ying Anthony) did not hold any Shares.
- (l) As at the Latest Practicable Date, none of the Company or the Directors or the Subscriber and parties acting in concert with it had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

11. LITIGATION

As disclosed in the announcements of the Company dated 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 the SD Creditors and the Company has been demanded to repay overdue indebtedness. Pursuant to Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), since the Group was unable to repay the relevant indebtedness within 21 days from the date of service of the relevant statutory demands, each of the relevant SD Creditors is entitled to present a winding-up petition against the Company at any time at their discretions.

For further details about the statutory demands received by the Company, please refer to the section headed “REASONS FOR THE SUBSCRIPTION, THE CONNECTED CONVERSION AND THE SETTLEMENT” in the Letter from the Board of this circular.

As at the Latest Practicable Date, save for the abovementioned statutory demands, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

12. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualification
Hooray Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Veda Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Draco Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

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

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up.

13. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered or proposed to be entered into by the members of the Group within the two years immediately preceding the date of the Joint Announcement and up to and including the Latest Practicable Date of this circular and are or may be material:

- (a) the Subscription Agreement;
- (b) the First Connected Conversion Agreement and the Second Connected Conversion Agreement;
- (c) the Settlement Agreements;
- (d) the placing agreement dated 21 August 2020 entered into between the Company as issuer and Chaoshang Securities Limited as placing agent in relation to the placing to Independent Third Parties of up to 110,000,000 Shares at the placing price of HK\$0.166 per Share pursuant to which the Company received net proceeds of approximately HK\$17.6 million from the said placing; and
- (e) the placing agreement dated 14 August 2020, the supplemental placing agreement dated 17 August 2020 and the termination agreement dated 21 August 2020 entered into between the Company as issuer and Emperor Securities Limited as placing agent in relation to the placing to Independent Third Parties of up to 110,000,000 Shares at the placing price of HK\$0.129 per Share pursuant to which the Company received net proceeds of approximately HK\$13.3 million from the said placing.

14. CORPORATE AND OTHER INFORMATION

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The company secretary of the Company is Mr. Lo Chu Wing of CS Legend Corporate Services Limited, an external services provider.

The registered office of the Subscriber is located at 4th Floor, Water's Edge Building, Meridian Plaza, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address in Hong Kong of the Subscriber is Unit 1902, 19/F, Eastern Commercial Centre, 393-407 Hennessy Road, Wanchai, Hong Kong.

The registered office of Mpplication, who is a party acting in concert with Mr. Wong, is located at Room 3208, 32/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The financial adviser to the Company, Hooray Capital Limited, is located at 1/F Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

The financial adviser to the Subscriber, Veda Capital Limited, is located at Room 1001-1002, 10/F, 299 QRC, 287-299 Queen's Road Central, Hong Kong.

The independent financial adviser to the Company, Draco Capital Limited, is located at 4/F, Connaught Harbour Front House, 35-36 Connaught Road West, Sheung Wan, Hong Kong.

The auditor of the Company, BDO Limited, as Certified Public Accountants, is located at 25th floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong.

The principal banker of the company, the Hong Kong and Shanghai Banking Corporation Limited (Hay Wah Building branch), is located at G/F, Hay Wah Building, 71-85 Hennessy Road, Wan Chai, Hong Kong.

The legal adviser of the Company, Chung's Lawyers in association with DeHeng Law Offices, is located at 28th floor, Henley Building, 5 Queen's Road Central, Central, Hong Kong.

The legal adviser of the Company, Chiu & Partners, is located at 40th floor, Jardine House, 1 Connaught Place, Hong Kong.

The authorised representatives of the Company are Mr. Wong and Mr. Lo Chu Wing, with each correspondence addresses at 15/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong and Room 907B, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

The ultimate beneficial shareholder and the sole director of the Subscriber is Mr. Wong, whose residential address is Room 47, 7/F, Tower 7, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Repulse Bay, Hong Kong.

The residential address of Mr. Lam, who is a party acting in concert with Mr. Wong, is 4/F, Blue Pool Court, 6 Holly Road, Happy Valley, Hong Kong.

The residential address of Ms. Yeung Betty, who is a party acting in concert with Mr. Wong, is 4/F, Blue Pool Court, 6 Holly Road, Happy Valley, Hong Kong.

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection: (i) at the principal place of business of the Company in Hong Kong at 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong during normal business hours (9:30 a.m. to 6:30 p.m.) from Monday to Friday (both days inclusive); and (ii) on the websites of the Stock Exchange (<http://www.hkexnews.hk>), the Company (<http://www.synergy-group.com>) and the Securities and Futures Commission (<http://www.sfc.hk>), in each case from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the memorandum of association and bye-laws of the Subscriber;
- (c) the Letter from the Board, the text of which is set out in this circular;
- (d) the Letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the Letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (f) the consent letters as referred to in the paragraph headed “12. Qualification and Consent of Experts” in the Appendix II of this circular;
- (g) the financing agreement entered into by the Subscriber and the Financier for the purpose of financing the Subscription;
- (h) the material contracts referred to in the paragraph headed “13. Material Contracts” in the Appendix II of this circular;
- (i) the annual reports of the Company for the two financial years ended 31 March 2021 and 31 March 2020; and
- (j) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Synergy Group Holdings International Limited (the “**Company**”) will be held at 23/F, Konnect, 303 Jaffe Road, Wan Chai, Hong Kong, on 8 December 2021 at 11:45 a.m., for the following purposes:

As ordinary business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. “THE SUBSCRIPTION

THAT:

- (a) the Subscription Agreement (a copy of which has been produced to this meeting marked “B” and initialled by the Chairman for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares, and the passing of the ordinary resolutions 2 and 3 below, the Directors be and are hereby granted a specific mandate (the “**Subscription Shares Specific Mandate**”) to allot and issue the Subscription Shares pursuant to the Subscription Agreement, provided that the Subscription Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution; and
- (c) any one Director be and is hereby authorised to do all such acts and things and execute (or where execution under the common seal of the Company is required, execute under seal) all such document as he considers necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to or otherwise in connection with the Subscription Agreement and the transaction contemplated hereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THE CONNECTED CONVERSION

- (a) the Connected Conversion Agreements (a copy of which has been produced to this meeting marked “C” and initialled by the Chairman for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares, and the passing of the ordinary resolutions 1 above and 3 below, the Directors be and are hereby granted a specific mandate (the “**Conversion Shares Specific Mandate**”) to allot and issue the Conversion Shares pursuant to the Connected Conversion Agreements, provided that the Conversion Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution; and
- (c) any one Director be and is hereby authorised to do all such acts and things and execute (or where execution under the common seal of the Company is required, execute under seal) all such document as he considers necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to or otherwise in connection with the Connected Conversion Agreements and the transaction contemplated hereunder.”

3. “THE SETTLEMENT

- (a) the Settlement Agreements (a copy of which has been produced to this meeting marked “D” and initialled by the Chairman for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Settlement Shares, and the passing of the ordinary resolutions 1 and 2 above , the Directors be and are hereby granted a specific mandate (the “**Settlement Shares Specific Mandate**”) to allot and issue the Settlement Shares pursuant to the Settlement Agreements, provided that the Settlement Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution; and
- (c) any one Director be and is hereby authorised to do all such acts and things and execute (or where execution under the common seal of the Company is required, execute under seal) all such document as he considers necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to or otherwise in connection with the Settlement Agreements and the transaction contemplated hereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“**THAT**, subject to and conditional upon the passing of ordinary resolutions no. 1, 2 and 3 and the granting of the Whitewash Waiver by the Executive and any conditions that may be imposed thereon, the waiver of obligation on the part of the Subscriber and any parties acting in concert with it to make a mandatory general offer to the Shareholders for all the Shares not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it which would, otherwise arise as a result of the issue and allotment of the Subscription Shares and the Conversion Shares pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code, be and is hereby approved, and that any one Director be and is authorised to do all such acts and things and execute (or where execution under the common seal of the Company is required, execute under seal) all such document as he considers necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to or otherwise in connection with any of the matters relating to, or incidental to, the Whitewash Waiver.”

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

Hong Kong, 15 November 2021

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal Place of Business
in Hong Kong:*
15th Floor
Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. All resolutions at the above meeting (the “**Meeting**”) will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Company’s articles of association and the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any Shareholder entitled to attend and vote at the Meeting may appoint in written form one or more proxies to attend and vote on his/her behalf. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a Shareholder.
3. Where there are joint registered holders of any Share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
4. In order to be valid, the completed and signed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the Meeting if Shareholders so wish.
6. For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from 2 December 2021 to 8 December 2021 both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, unregistered holders of shares of the Company should ensure that all the Share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 1 December 2021.
7. Words and expressions that are not expressly defined in this notice of Meeting shall bear the same meanings as those defined in the circular of the Company dated 15 November 2021.

As at the date of this notice, the Board comprises five Directors, including two executive Directors, namely, Mr. Wong Man Fai Mansfield and Mr. Lam Arthur; and three independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony.