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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

References are made to (i) the annual results announcement (the “**2022 Annual Results Announcement**”) and (ii) the annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2022 Annual Results Announcement and the 2022 Annual Report.

In addition to the information provided in the 2022 Annual Results Announcement and the 2022 Annual Report, the Board would like to provide further information in relation to the Debt Restructuring and the disclaimer of opinion (the “**Disclaimer**”) in the consolidated financial statements of the Group for the year ended 31 March 2022.

LATEST STATUS OF THE DEBT RESTRUCTURING

As disclosed in the 2022 Annual Results Announcement and the 2022 Annual Report, the management of the Company has been taking steps to ensure the successful implementation of the Debt Restructuring, including but not limited to preparing the necessary documents to convene a court hearing in the High Court. The court hearing was expected to be held in July 2022 (the “**Convening Hearing**”). Meanwhile, the management has been actively communicating with the majority of the Scheme Creditors in order to gain their support in the Scheme Meeting, and are in advanced negotiation with them. In particular, as of the date of this announcement, the Company has received written confirmations from over half of the Scheme Creditors. Pursuant to such written confirmations, the relevant Scheme Creditors have indicated their support to the Scheme and provided an undertaking to vote in favour of the Scheme.

The Debt Restructuring is expected to be implemented by way of a Scheme of Arrangement. The Board is pleased to announce that the Convening Hearing was successfully held on 15 July 2022 at the High Court. The High Court has directed that the meeting (i.e. the “**Scheme Meeting**”) of the relevant scheme creditors (i.e. the “**Scheme Creditors**”) be convened for the purpose of considering, and if thought fit, approving the Scheme of Arrangement (with or without modification).

The Scheme Meeting will be held in late August 2022. The details of the Scheme Meeting are set out in the notice of the Scheme Meeting attached to the scheme document dated 3 August 2022 (the “**Scheme Document**”). The Scheme Document which contains, among other things, details of the Scheme of Arrangement, has been despatched to the Scheme Creditors on 3 August 2022.

Assuming that the Scheme of Arrangement will be approved at the Scheme Meeting, a hearing of the High Court for the purpose of sanctioning the Scheme of Arrangement is currently scheduled to take place on 14 October 2022.

Key terms of the Scheme of Arrangement

Under the terms of the Scheme, the Scheme Creditors will be entitled to settlement of their respective Admitted Claims by selecting either the Equity Option or the Cash Option (but not both) in accordance with the terms of the Scheme. Regardless of whether the Scheme Creditors select the Equity Option or the Cash Option, the amount of Claims to be admitted by the Scheme Administrators or Adjudicator shall include only the principal owed by the Company before the Effective Date.

(a) *Equity Option*

The Company will allot, issue and register such number of New Shares, credited as fully paid, at a premium of 25% over the average closing price of the shares of the Company as quoted on the Stock Exchange for the last five consecutive trading days prior to the Effective Date for the total amount of Admitted Claims of the Scheme Creditors who opt for the Equity Option as at the Effective Date.

The allotment, issue and registration, as well as the listing of and permission to deal in the New Shares will be subject to the Court Order, approval of the Stock Exchange, and if necessary, approval of the shareholders of the Company at an extraordinary general meeting.

(b) Cash Option

A cash amount equivalent to 5% of the outstanding principal of all the liabilities of the Scheme Creditors as at the Effective Date of the Scheme will be paid from the Subscription Proceeds Subject to the Scheme by the Company to the SchemeCo as the Initial Cash Payment, and (subject to payment of Preferential Claims and Scheme Costs) payable to Scheme Creditors who elect to have their Admitted Claims settled by the Cash Option on the First Distribution Date.

Subject to the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option, the Repayment Obligation in the maximum amount of 95% of the Principal and full amount of interest calculated at 2.5% per annum on the Principal then outstanding incurred as from the Effective Date will be paid out from the remainder of the Subscription Proceeds Subject to the Scheme after the First Distribution, and the net cash flow to be generated by the Group over a period of not more than 30 months with the Minimum Yearly Payment after the settlement of Preferential Claims (if any) and the deduction of Scheme Costs.

Under the terms of the Scheme of Arrangement:

- (a) the Scheme Administrators will be appointed to implement and administer the Scheme;
- (b) a Scheme Creditors' Committee will be formed to provide a forum for the Scheme Administrators to turn to for advice and guidance on questions of strategy regarding the administration of the Scheme;
- (c) the Scheme Administrators will open the Scheme Trust Account to hold the Scheme Funds. This will be an interest bearing trust account controlled by the Scheme Administrators held with a licensed bank in Hong Kong. All monies from time to time credited to the Scheme Trust Account (including interest) will be held for the benefit of the Scheme Creditors under the Scheme of Arrangement, subject to prior payment of Preferential Claims and Scheme Costs; and

- (d) from the Effective Date, each of the Scheme Creditors discharges and releases all its Claims against the Company, the Company's joint obligors, and the Guarantors (together with the Third-Party Security) in consideration of the right to participate with each of the Scheme Creditor in the distribution of the Scheme Funds on the terms of the Scheme.

Conditions of the Scheme of Arrangement

The Scheme of Arrangement proposed by the Company will become effective and binding on the Company and its Scheme Creditors under Hong Kong law if the following conditions are satisfied:

- (i) over 50% in number, representing not less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Meeting, vote in favour of the Scheme;
- (ii) the High Court sanctions the Scheme and a copy of the Court Order sanctioning the Scheme is delivered to the Companies Registry in Hong Kong for registration; and
- (iii) the Initial Cash Payment is received by the SchemeCo within 30 days after the Registration Date or such extended date as may be agreed by the Company with the Scheme Administrators.

ADDITIONAL INFORMATION REGARDING THE DISCLAIMER

Based on the discussion between the Company and BDO Limited, the auditor of the Company (the "**Auditor**"), it is considered that the successful implementation of the Debt Restructuring would improve the Group's liquidity and therefore would address the Disclaimer. Assuming the successful implementation of the Debt Restructuring and that there are no new events or conditions which may cast significant doubt on the Group's ability to continue as a going concern, and subject to the satisfaction of the management of the Group that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis, the Auditor may consider, together with sufficient and appropriate evidence of the management's assessment, whether to remove the Disclaimer in connection with the audit of the consolidated financial statements of the Group for the year ending 31 March 2023.

“Cash Option”	comprising the First Distribution and the Repayment Obligation under the Scheme, representing the Initial Cash Payment and the net cash flow to be generated by the Group over a period of 30 months equivalent to the total amount of Admitted Claims of Scheme Creditors who opt for the Cash Option as at the Effective Date of the Scheme plus interest calculated at 2.5% per annum on the Principal then outstanding incurred as from the Effective Date to be paid to Scheme Creditors who opt for the Cash Option
“Claim(s)”	any unsecured debt, liability or obligation of the Company as at the Effective Date, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute, in Hong Kong, the PRC or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money’s worth, any liability in contract or tort, any liability arising out of any legal claim, whether certain or contingent, which would be provable in a winding-up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if an order for the winding-up of the Company were made on the Effective Date
“Company”	Synergy Group Holdings International Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange
“Court Order”	the order issued by the High Court for the purpose of sanctioning the Scheme of Arrangement
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective which is the date when the Initial Cash Payment is received by the SchemeCo

“Equity Option”	the allotment, issue and registration of newly issued shares of the Company at a premium of 25% to the average closing price of the shares of the Company as quoted on the Stock Exchange for the last five consecutive trading days prior to the Effective Date for the total amount of Admitted Claims of the Scheme Creditors who opt for the Equity Option as at the Effective Date
“First Distribution”	a cash payment equivalent to 5% of the Admitted Claims of the Scheme Creditors who opt for the Cash Option, financed by the Subscription Proceeds Subject to the Scheme
“First Distribution Date”	the date fixed by the Scheme Administrators for the First Distribution to the Scheme Creditors, or if such date is not a Business Day, the succeeding Business Day
“Group”	the Company and its subsidiaries
“Guarantors”	a Person who has provided a guarantee to the Scheme Creditors in respect of their Claims
“High Court”	the High Court of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Interest”	interest calculated at 2.5% per annum on the Principal then outstanding incurred as from the Effective Date to be paid to Scheme Creditors who opt for the Cash Option
“Initial Cash Payment”	a cash payment equivalent to 5% of the Principal to be made by the Company to the SchemeCo financed by the Subscription Proceeds Subject to the Scheme

“Minimum Yearly Payment”	<p>minimum yearly payment to be paid out of the net cash flow to be generated by the Group in fulfilling the Repayment Obligation:</p> <p>Year 1: 40% of the Principal by year end plus full amount of the Interest incurred during Year 1 being paid semi-annually</p> <p>Year 2: 40% of the Principal by year end plus full amount of the Interest incurred during Year 2 being paid semi-annually</p> <p>Year 3: 15% of the Principal by the 30th month from the Effective Date plus full amount of the Interest incurred from the beginning of Year 3 to the end of the 30th month from the Effective Date</p> <p>For the avoidance of doubt, “Year 1” shall be commenced from the First Distribution Date and the meanings for “Year 2” shall be construed accordingly, whilst “Year 3” shall mean by the end of the 30th month from the Effective Date.</p>
“New Share(s)”	shares to be issued, allotted and registered in the name of the Scheme Creditors who opt for the Equity Option under the Scheme
“Person”	includes all individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof
“PRC”	the People’s Republic of China

“Preferential Claims”	any Claim(s) against the Company which would, if the Company were wound up on the Effective Date, be payable out of the assets of the Company pursuant to Section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in priority to the general unsecured debts of the Company
“Principal”	the outstanding principal of all the liabilities of the Scheme Creditors as at the Effective Date of the Scheme
“Registration Date”	the registration date of the Court Order sanctioning the Scheme with the Companies Registry in Hong Kong
“Repayment Obligation”	subject to the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option, the maximum repayment obligation of the Principal and the Interest to be paid out from the net cash flow to be generated by the Group over a period of not more than 30 months with the Minimum Yearly Payment
“Scheme” or “Scheme of Arrangement”	the scheme of arrangement for the Company pursuant to sections 670 and 673 of the Companies Ordinance, or with or subject to any modification of it, any addition to it or any condition imposed by the High Court
“Scheme Administrators”	representatives of Deloitte Touche Tohmatsu, or their successors to be jointly and severally appointed as scheme administrators pursuant to the terms of the Scheme
“Scheme Assets”	the assets to be transferred to SchemeCo from time to time for the benefits of the Scheme Creditors under the Scheme
“SchemeCo”	a special purpose vehicle to be established and controlled by the Scheme Administrators to hold Scheme Assets pursuant to the terms of the Scheme of Arrangement

“Scheme Costs”	costs, charges, expenses and disbursements properly incurred in connection with the administration and implementation of the Scheme including the fees and remuneration of the Scheme Administrators and the Adjudicator
“Scheme Creditors”	all creditors with Admitted Claims
“Scheme Creditors’ Committee”	a committee of the Scheme Creditors to be formed pursuant to the Scheme
“Scheme Funds”	all funds from time to time credited to and maintained in the Scheme Trust Account, including any interest thereon
“Scheme Meeting”	the meeting(s) of the Scheme Creditors to be convened and held at the directions of the High Court for the purpose of considering and, if thought fit, approving the Scheme
“Scheme Trust Account”	the interest bearing trust account controlled by the Scheme Administrators with a licensed bank in Hong Kong in which account the Scheme Administrators shall place and deposit all proceeds received in connection with the sale, realisation and recoveries of the Scheme Assets for the purpose of and for the benefit of those entitled under the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Proceeds Subject to the Scheme”	a maximum of HK\$28.2 million of the net cash proceeds from the issue of the Subscription Shares

“Subscription Shares” a total of 1,100,000,000 subscription shares allotted and issued by the Company to Abundance Development Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Wong Man Fai Mansfield, the chairman, chief executive officer and executive Director, on 20 January 2022

“Third-Party Security” any mortgage, charge, assignment, hire-purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement, pledge, lien, hypothecation, encumbrance or security interest of whatsoever kind or any other agreement having the effect of conferring security provided by the Company’s joint obligor or the Guarantor

By order of the Board
Synergy Group Holdings International Limited
Wong Man Fai Mansfield
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 3 August 2022

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