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SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

新昌創展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Stock code: 1781)

(1) TERMINATION OF CACHET FUNDING AGREEMENT AND KM FUNDING AGREEMENT; AND (2) ENTERING INTO OF ONE OAK FUNDING AGREEMENT

TERMINATION OF CACHET FUNDING AGREEMENT AND KM FUNDING AGREEMENT

The Board announces that on 17 September 2021, Cachet Group, the Company and the Joint Provisional Liquidators have entered into the Cachet Deed of Termination, pursuant to which the parties irrevocably and unconditionally agree and covenant that, upon the execution of such deed, the Cachet Funding Agreement shall be terminated forthwith and cease to have effect and each party shall release and discharge the other from all past, present and future duties, obligations and liabilities under the Cachet Funding Agreement absolutely.

On the same date, KM International, the Company and the Joint Provisional Liquidators have entered into the KM Deed of Termination, pursuant to which the parties irrevocably and unconditionally agree and covenant that, upon the execution of such deed, the KM Funding Agreement shall be terminated forthwith and cease to have effect and each party shall release and discharge the other from all past, present and future duties, obligations and liabilities under the KM Funding Agreement absolutely.

ONE OAK FUNDING ARRANGEMENT

The Board announces that on 17 September 2021, One Oak as lender, the Company as borrower and the Joint Provisional Liquidators entered into the One Oak Funding Agreement, pursuant to which One Oak conditionally agreed to grant (i) an initial credit facility in the principal amount of up to HK\$50.0 million; and (ii) a further credit facility in the principal amount of up to HK\$50.0 million, at an interest rate of 3.0% per annum to the Company subject to and upon the terms and conditions of the One Oak Funding Agreement to facilitate the preparation and implementation of the Restructuring plan of the Company and support the business operation and expansion of the Group.

As security for the payment of all moneys, obligations, and liabilities due, owing or incurred to One Oak under the One Oak Funding Agreement, subject to the sanction of the Cayman Court and the Hong Kong Court (if applicable), (i) the Company shall enter into the CK Hong Kong Share Charge in favour of One Oak; (ii) the Company shall procure CK Hong Kong and CK Hong Kong shall enter into the Account Receivable Charge in favour of One Oak; (iii) the Company shall procure CK Hong Kong and CK Hong Kong shall enter into the Designated Account Charge in favour of One Oak; and (iv) the Company shall procure CK Hong Kong and CK Hong Kong shall enter into Jialing WFOE Legal Charge in favour of One Oak.

Reference is made to the announcement of the Company dated 27 April 2021 in relation to, among other things, the Cachet Funding Agreement and the KM Funding Agreement.

TERMINATION OF CACHET FUNDING AGREEMENT AND KM FUNDING AGREEMENT

The Board announces that on 17 September 2021, Cachet Group, the Company and the Joint Provisional Liquidators have entered into the Cachet Deed of Termination, pursuant to which the parties irrevocably and unconditionally agree and covenant that, upon the execution of such deed, the Cachet Funding Agreement shall be terminated forthwith and cease to have effect and each party shall release and discharge the other from all past, present and future duties, obligations and liabilities under the Cachet Funding Agreement absolutely.

On the same date, KM International, the Company and the Joint Provisional Liquidators have entered into the KM Deed of Termination, pursuant to which the parties irrevocably and unconditionally agree and covenant that, upon the execution of such deed, the KM Funding Agreement shall be terminated forthwith and cease to have effect and each party shall release and discharge the other from all past, present and future duties, obligations and liabilities under the KM Funding Agreement absolutely.

Taking into account that (i) the One Oak Funding Agreement was entered into on the date of the Cachet Deed of Termination and the KM Deed of Termination; and (ii) no additional working capital would be required as the HK Subsidiary and PRC Subsidiary, as provided in the KM Funding Agreement, shall no longer form part of the Group, the Directors believe that the termination of each of the Cachet Funding Agreement and the KM Funding Agreement will not have any material adverse impact to the financial position and operation of the Group.

ONE OAK FUNDING ARRANGEMENT

The Board announces that on 17 September 2021, One Oak as lender, the Company as borrower and the Joint Provisional Liquidators entered into the One Oak Funding Agreement, pursuant to which One Oak conditionally agreed to grant (i) an initial credit facility in the principal amount of up to HK\$50.0 million; and (ii) a further credit facility in the principal amount of up to HK\$50.0 million, at an interest rate of 3.0% per annum to the Company subject to and upon the terms and conditions of the One Oak Funding Agreement to facilitate the preparation and implementation of the Restructuring plan of the Company and support the business operation and expansion of the Group.

One Oak Funding Agreement

The principal terms of the One Oak Funding Agreement are set out below.

Date: 17 September 2021

Parties: (i) One Oak, as lender
(ii) the Company, as borrower
(iii) the Joint Provisional Liquidators

Principal amount of Initial Funding: up to HK\$50.0 million to be provided subject to the fulfilment (or waiver, as the case may be) of all conditions precedent for Initial Funding under the One Oak Funding Agreement

Principal amount of Further Funding: up to HK\$50.0 million to be provided subject to the fulfilment (or waiver, as the case may be) of all conditions precedent for Further Funding under the One Oak Funding Agreement

Interest: 3.0% per annum

Interest shall be payable monthly in advance on the first Business Day of each month after the relevant drawdown date.

Default interest: If the Company defaults in the payment on the due date of any sum payable thereunder, the Company shall pay default interest on the overdue sum from the due date to the date of actual payment in full (both before and after judgment) at the rate of 5.0% per annum.

Conditions precedent for Initial Funding: The obligation of One Oak to provide the Initial Funding to the Company is conditional upon the following:

- (a) the sanction of the Cayman Court and the Hong Kong Court (if applicable) (which shall be binding on both the parties thereto and all third parties) of the One Oak Funding Agreement and the transactions contemplated thereunder having been obtained;
- (b) subject to condition (a) above, the entering into of a share charge over the entire issued share capital of CK Hong Kong to be executed by the Company in favour of One Oak;
- (c) subject to condition (a) above, the entering into of a legal charge over the accounts receivable of CK Hong Kong to be executed by CK Hong Kong in favour of One Oak;
- (d) subject to condition (a) above, the entering into of a charge over the Designated Account in favour of One Oak; and
- (e) subject to condition (a) above, the entering into of a legal charge over the entire equity interests of Jialing WFOE to be executed by CK Hong Kong in favour of One Oak.

Condition (a) above is incapable of being waived. Save for condition (a) above, One Oak has its absolute discretion at any time to waive in writing any of the conditions above.

If the conditions above have not been fulfilled (or waived by One Oak, as the case may be) on or before 15 November 2021 or such later date as the parties thereto may agree in writing, One Oak shall no longer have the obligation to provide the Initial Funding to the Company.

Conditions precedent for Further Funding:

The obligation of One Oak to provide Further Funding to the Company is conditional upon the following:

- (a) the sanction of the Cayman Court and the Hong Kong Court (if applicable) (which shall be binding on both the parties thereto and all third parties) of the One Oak Funding Agreement and the transactions contemplated thereunder having been obtained; and
- (b) the resumption of trading of the Shares (or the Consolidated Shares if the Share Consolidation has become effective) on the Stock Exchange.

Condition (a) above is incapable of being waived. Save for condition (a) above, One Oak has its absolute discretion at any time to waive in writing any of the conditions above.

If the conditions above have not been fulfilled (or waived by One Oak, as the case may be) on or before 31 December 2021 or such later date as the parties thereto may agree in writing, One Oak shall no longer have the obligation to provide Further Funding to the Company.

Application of the Initial Funding and Further Funding:

The Company undertakes to apply Initial Funding and Further Funding towards the following payment (or reimbursement) of:

- (a) the Joint Provisional Liquidators' Fees and Expenses;
- (b) any fees, costs and expenses (except for the Joint Provisional Liquidators' Fees and Expenses), including legal fees and other professional fees and expenses, incurred or to be incurred in connection with the Restructuring and the resumption proposal of the Company;

- (c) any fees, costs, charges and expenses (including legal costs) in connection with the negotiation, preparation and execution of any transactions contemplated under the One Oak Funding Agreement, the Restructuring Agreement and the Schemes, including but not limited to the legal, accounting, financial, consultants' and professional fees, expenses and other costs incurred or to be incurred whether in Hong Kong or elsewhere in advising the Company and/or the Joint Provisional Liquidators in relation to the One Oak Funding Agreement, the Restructuring Agreement and the Schemes, which shall be paid from the proceeds of Initial Funding and/or Further Funding drawn;
- (d) the working capital of the Group, including but not limited to, any fees, costs and expenses (except for the Joint Provisional Liquidators' Fees and Expenses) incurred or to be incurred in connection with the business expansion and maintenance of the key personnel of the Group to ensure the Company will continue to be in satisfaction of the listing requirements;
- (e) in the case of the Further Funding, a sum of not less than HK\$20.0 million for the purposes of the Schemes between the Company and the Scheme Creditors, including but not limited to (i) as Dividends and/or (ii) any other cash consideration to be distributed and/or payable by the Company to the Scheme Creditors under the transactions contemplated under the Schemes; and/or
- (f) any other purpose(s) as may be agreed between the Company, the Joint Provisional Liquidators and One Oak from time to time in writing.

Nature and priority of the funding: Subject to the approval of the Cayman Court, provided that One Oak is not in breach of any terms and conditions of the One Oak Funding Agreement, the Initial Funding and/or the Further Funding actually provided (if applicable) together with all the interest accrued thereon shall be treated or regarded as the fees and expenses properly incurred by the Company in preserving, realising or getting in the assets, which shall be paid out of the assets of the Company in priority to all other existing and future unsecured liabilities and debts of the Company as well as the Joint Provisional Liquidators' Fees and Expenses and any costs set out in section 140 and section 209 of the Companies Law (2021 Revision) of the Cayman Islands and Order 20 of the Companies Winding Up Rules 2018 of the Cayman Islands.

Nothing contained in the One Oak Funding Agreement requires, obliges or obligates the Joint Provisional Liquidators to, and the parties thereto also agree that the Joint Provisional Liquidators are not required, obliged or obligated in any event to, refund, repay, return or disgorge any part(s) of the Joint Provisional Liquidators' Fees and Expenses which has/have been settled and/or paid by the Initial Funding and the Further Funding (if applicable) under the One Oak Funding Agreement.

Repayment: Unless otherwise agreed between One Oak and the Company in writing, the Initial Funding and the Further Funding (if applicable) actually drawn down together with all the interest accrued thereon shall be repaid by the Company to One Oak in the event of the following, whichever is earlier:-

- (a) 18 months from the first drawdown date of the Initial Funding;
- (b) immediately upon the issue of a written notice by the Company or One Oak to other parties thereto in respect of the lapse of negotiation between the Company and One Oak in relation to the Restructuring Agreement;
- (c) immediately upon the issue of a written notice by One Oak to the Company and the Joint Provisional Liquidators pursuant to the terms of the One Oak Funding Agreement; or
- (d) immediately upon the making of a winding-up order against the Company.

Prepayment: The Company may, if it gives One Oak not less than five (5) Business Days' prior notice, prepay the whole or any part of the Initial Funding and the Further Funding actually provided together with any accrued but unpaid interest (but, if in part, being an integral multiple of HK\$100,000) without penalty. The Company shall not re-borrow any part of the Initial Funding or the Further Funding (if applicable) which is repaid or prepaid.

First right for One Oak to participate in the Restructuring: The Company acknowledges One Oak's intention to be a white knight in the Restructuring and agrees that in consideration of One Oak's Initial Funding and/or Further Funding, the Company shall give an exclusive right to One Oak and/or its nominee to negotiate with the Company and/or the Joint Provisional Liquidators in respect of the restructuring proposal for a three (3)-month period from the date of fulfilment (or waiver, as the case may be) of conditions precedent for the Initial Funding.

One Oak Security Documents

As security for the payment of all moneys, obligations and liabilities due, owing or incurred to One Oak under the One Oak Funding Agreement, subject to the sanction of the Cayman Court and the Hong Kong Court (if applicable),

- (i) the Company shall enter into a share charge over the entire issued share capital of CK Hong Kong, which is a direct wholly-owned subsidiary of the Company and principally engaged in trading of plastic household products, in favour of One Oak;
- (ii) the Company shall procure CK Hong Kong and CK Hong Kong shall enter into a legal charge over the accounts receivable of CK Hong Kong in favour of One Oak;
- (iii) the Company shall procure CK Hong Kong and CK Hong Kong shall enter into a charge over the Designated Account in favour of One Oak; and
- (iv) the Company shall procure CK Hong Kong and CK Hong Kong shall enter into a legal charge over the entire equity interests of Jialing WFOE, which is a direct wholly-owned subsidiary of CK Hong Kong and principally engaged in trading and manufacturing of plastic and other household products, in favour of One Oak.

INFORMATION ON ONE OAK

One Oak is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, One Oak is owned as to 50% and 50% by Mr. Kabir Haresh Shah and Mr. David Michael Halley, who are both directors of One Oak, respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of One Oak and its ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE ONE OAK FUNDING ARRANGEMENT

The Group is principally engaged in designing, developing, manufacturing and selling plastic and other household products.

As at the date of this announcement, the negotiations amongst Cachet Group, KM International, the Company and the Joint Provisional Liquidators in respect of the restructuring agreement in relation to the Restructuring have lapsed. Subsequently, the Cachet Deed of Termination and the KM Deed of Termination were entered into to terminate the Cachet Funding Agreement and the KM Funding Agreement, respectively.

In light of the above, the One Oak Funding Agreement was entered into for the purpose of securing funding to facilitate the preparation and implementation of the Restructuring plan, support the business operation and expansion of the Group, and to maintain key personnel and intellectual property (if any) of the Group to ensure the Company will continue to be in satisfaction of the listing requirements.

Taking into account of the financial difficulty facing by the Company, the urgent need of the Company to implement a Restructuring plan and to relieve the winding-up petitions against the Company, as well as the willingness of One Oak to provide funding for corporate rescue attempt, the Directors consider that the terms of the One Oak Funding Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company and the Joint Provisional Liquidators are in the course of (i) preparing for the applications to the Cayman Court for, among other things, the approval of the One Oak Funding Agreement and the terms thereunder; and (ii) formulating a detailed Restructuring plan.

Since the Restructuring is subject to various sanctions and approvals by the Cayman Court, the Hong Kong Court, the Shareholders, the Stock Exchange, the creditors of the Company, etc., there is no guarantee that the Restructuring will be materialised.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares has been suspended since 9:00 a.m. on 2 July 2020 and will remain in suspension until further notice.

Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the following meanings:

“Account Receivable Charge”	a legal charge over the accounts receivable of CK Hong Kong to be executed by CK Hong Kong in favour of One Oak pursuant to the terms and conditions of the One Oak Funding Agreement
“Admitted Scheme Claim(s)”	all Scheme Claim(s) against the Company which have been admitted under the Schemes by the scheme administrators or the adjudicator (as the case may be)
“Board”	board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Cachet Deed of Termination”	the deed of termination dated 17 September 2021 and entered into amongst Cachet Group, the Company and the Joint Provisional Liquidators in relation to the termination of the Cachet Funding Agreement

“Cachet Funding Agreement”	the funding agreement dated 27 April 2021 and entered into amongst Cachet Group as lender, the Company as borrower and the Joint Provisional Liquidators in relation to the grant of an initial funding of up to HK\$50.0 million and a further funding of up to HK\$50.0 million at an interest rate of 3.0% per annum
“Cachet Group”	Cachet Group Limited, a company incorporated in Hong Kong with limited liability and direct wholly-owned by Ms. Chow Chin Yui Angela, who is also the sole director of Cachet Group as at the date of this announcement
“Cayman Court”	Grand Court of the Cayman Islands
“CK Hong Kong”	CK & Associates Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“CK Hong Kong Share Charge”	a share charge over the entire issued share capital of CK Hong Kong to be executed by the Company in favour of One Oak pursuant to the terms and conditions of the One Oak Funding Agreement
“Company”	Sun Cheong Creative Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on main board of the Stock Exchange (stock code: 1781)
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Share Consolidation becoming effective
“Designated Account”	Hong Kong Dollar denominated bank account in the name of CK Hong Kong to be opened with a licensed bank in Hong Kong, including any renewal or redesignation of such account and all sub-accounts

“Designated Account Charge”	a charge over the Designated Account to be executed by CK Hong Kong in favour of One Oak pursuant to the terms and conditions of the One Oak Funding Agreement
“Director(s)”	director(s) of the Company
“Dividends”	the sum payable to each Scheme Creditor with Admitted Scheme Claims out of the funds credited to an interest-bearing trust account to be opened in the name of the scheme administrators for the benefit of the Scheme Creditors under the Schemes
“Further Funding”	credit facility for a total sum of up to HK\$50.0 million to be provided by One Oak to the Company pursuant to the terms and conditions of the One Oak Funding Agreement
“Group”	the Company and its subsidiaries
“HK Subsidiary”	a company incorporated or to be incorporated in Hong Kong with limited liability and intended to become a direct wholly-owned subsidiary of CK Hong Kong pursuant to the terms and conditions of the KM Funding Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Court”	any Court in Hong Kong that has jurisdiction to hear the provisional liquidation case the Company is subject to
“Independent Third Party”	any person or company together with its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) (as defined under the Listing Rules) of the Company and is/are third party(ies) independent of the Company and its connected person(s)
“Initial Funding”	credit facility for a total sum of up to HK\$50.0 million to be provided by One Oak to the Company pursuant to the terms and conditions of the One Oak Funding Agreement

“Jialing WFOE”	嘉凌（深圳）傢具製品有限公司 (Jialing (Shenzhen) Household Products Company Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of CK Hong Kong
“Jialing WFOE Legal Charge”	a legal charge over the entire equity interests of Jialing WFOE to be executed by CK Hong Kong in favour of One Oak pursuant to the terms and conditions of the One Oak Funding Agreement
“Joint Provisional Liquidators”	Fok Hei Yu of FTI Consulting (Hong Kong) Limited and David Martin Griffin of FTI Consulting (Cayman) Ltd
“Joint Provisional Liquidators’ Fees and Expenses”	fees and expenses (including legal fees) due and payable to and/or incurred or to be incurred by the Joint Provisional Liquidators relating to their performance of their duties as joint provisional liquidators of the Company
“KM Deed of Termination”	the deed of termination dated 17 September 2021 and entered into amongst KM International, the Company and the Joint Provisional Liquidators in relation to the termination of the KM Funding Agreement
“KM Funding Agreement”	the funding agreement dated 27 April 2021 and entered into amongst KM International as lender, the Company as borrower and the Joint Provisional Liquidators in relation to the grant of a credit facility for a total sum of up to HK\$40.0 million to the Company at an interest rate of 3.0% per annum
“KM International”	KM International Holdings (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and direct wholly-owned by Mr. Lam Sai Ying, who is also the sole director of KM International
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“One Oak”	One Oak Tree Limited, being a company incorporated in the British Virgin Islands and owned as to 50% and 50% by Mr. Kabir Haresh Shah and Mr. David Michael Halley, respectively

“One Oak Funding Agreement”	the funding agreement dated 17 September 2021 and entered into amongst One Oak as lender, the Company as borrower and the Joint Provisional Liquidators in relation to the grant of the Initial Funding and the Further Funding at the interest rate of 3.0% per annum
“One Oak Funding Arrangement”	transactions contemplated under the One Oak Funding Agreement and the One Oak Security Documents
“One Oak Security Documents”	collectively, the CK Hong Kong Share Charge, the Account Receivable Charge, the Designated Account Charge, and the Jialing WFOE Legal Charge
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Subsidiary”	a company established or to be established in the PRC with limited liability and intended to become a direct wholly-owned subsidiary of Jialing WFOE pursuant to the terms and conditions of the KM Funding Agreement
“Restructuring”	restructuring of the business, debts and liabilities, capital structure and share capital of the Company, or its subsidiaries, associated companies or other entities in which the Company holds an interest (as the case may be) and which shall include the implementation of the Schemes
“Restructuring Agreement”	a restructuring framework agreement to be entered into amongst One Oak, the Company and the Joint Provisional Liquidators in respect of the Restructuring
“Scheme Claim(s)”	claim(s): (a) which is not a preferential claim (and where the claim is only in part a preferential claim, then the person is a Scheme Creditor only to the extent of the non-preferential portion of the claim); (b) which is not a secured claim (and where the claim is only in part a secured claim, then the person is a Scheme Creditor only to the extent of the unsecured part of the claim); (c) which is not a claim for the petition costs; and (d) which is not an amount due from the Company to One Oak under the One Oak Funding Agreement
“Scheme Creditor(s)”	person(s) with Scheme Claim(s)

“Schemes”	proposed schemes of arrangement pursuant to section 86 of the Companies Act (2021 Revision) of the Cayman Islands and section 670 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and to be made between the Company and the Scheme Creditors
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Consolidation”	proposed consolidation of every ten (10) issued Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of the issued Shares or Consolidated Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

* *For identification purpose only*

By order of the Board
Sun Cheong Creative Development Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
CHAN Sai On Bill
Executive Director

Hong Kong, 17 September 2021

As at the date of this announcement, the executive Directors are Mr. CHAN Sai On Bill and Mr. NG Chun Chung; and the independent non-executive Director is Ms. LIN Weiqi Wendy.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.