



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.



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.



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



- (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.



SYNERGY GROUP

## 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.



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, MPPLICATION 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;



SYNERGY GROUP

- (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.



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.





## 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) <sup>(1)</sup>	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 <sup>(2)</sup>	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 <sup>(3)</sup>	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 <sup>(4)</sup>	Overdue	Nil	12,068,000	0.51%	1,206,800
5. Kedah Company Limited	5,000,000 <sup>(5)</sup>	Overdue	12%	50,000,000	2.11%	5,000,000
6. Ms. Wu Chit Wai	4,840,273.97 <sup>(6)</sup>	Overdue	15%	45,072,000	1.91%	4,507,200
Aggregate Amount:	<u>48,130,154.40</u>			<u>474,196,000</u>	<u>20.06%</u>	<u>47,419,600</u>

### Notes:

- (1) The indebtedness due from the Company to First Fidelity Capital (International) Limited is the aggregate of the loans under two loan agreements dated 7 January 2019 and 9 May 2019 with a term of one year from the respective dates of the loan agreements. They were extended twice and due on 6 January 2022 and 8 May 2022, respectively.
- (2) Reference is made to the announcement of the Company dated 18 November 2019. Ms. Yu Sze Wan Gisela is the beneficial holder of a corporate bond issued by the Company on 17 December 2019. The relevant bond is originally due on 17 December 2021 but is considered due and payable by virtual of cross default.
- (3) All of the amount due from the Company to Red Hill Investment (BVI) Limited arose from the purchase of equipment by the Company from an Independent Third Party between 2017 and 2019 where majority of the amount has been overdue.
- (4) Mr. Tong Man Chun is a former employee of a subsidiary of the Company. The amount due from the Company to Mr. Tong Man Chun represents the unpaid salaries of Mr. Tong Man Chun. Mr. Tong Man Chun ceased to be an employee of 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.



- (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;



- (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).



SYNERGY GROUP

#### 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;



- (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.



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 word, 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 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 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).



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.



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.





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.



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).



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.



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 written consent from the Loan Lender. Pursuant the discussion between Mr. Wong and the Loan Lender, the Loan Lender would provide the relevant written consent for such pledge.

7. Change-of-Control Event : Any one of the followings is considered to be a Change-of-Control Event:
- (a) the Guarantors together cease to be beneficially interested in 52% of share capital in the Company upon Subscription Completion, Connected Conversion Completion and Settlement Completion;
  - (b) the Personal Guarantor ceases to hold (or have the right to control the casting of the votes attaching to) 100% of the shares in the Corporate Guarantor; or
  - (c) a person or group of persons acting in concert (other than the Corporate Guarantor) gain the power (directly or indirectly) to direct the management and policy of the Company, whether by ownership of share capital, contract or Board control.



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

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

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

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

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

12. Covenants and Undertakings : Subject to the results from the Loan Due Diligence, the following customary covenants and undertaking shall be considered:

- 1. no further indebtedness without the written consent from the Loan Lender in excess of HK\$1,000,000; and
- 2. financial covenants of the Group to be agreed.

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



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





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

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

The terms to be included in the Facility Agreement shall be based on 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 director owner and the sole 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.



SYNERGY GROUP

## 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"> <li>• to join the Scheme proposed by the Company (<i>Note</i>); and</li> <li>• not to further dispose the pledged Share held by Mr. Wong.</li> </ul>
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.



## 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.



SYNERGY GROUP

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.



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.



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.



Period	Expected amount of loan repayment of the Group ( <i>approximate</i> )	
	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>
Name of the creditors	Expected repayment made from the net proceeds from the Subscription ( <i>approximate</i> )	Due date of the debts
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\$8.1 million	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>



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 ( <i>approximate</i> )
Operating expenses	HK\$7.0 million
Malaysia Odesi Integrasi 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.





## 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%
Mpplication (Note 3)	–	–	10,080,000	0.43%
Mr. Lam (Notes 1, 2)	–	–	20,154,000	0.85%
Ms. Yeung Betty (Notes 4)	<u>2,418,000</u>	<u>0.36%</u>	<u>2,418,000</u>	<u>0.10%</u>
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	<u>607,038,796</u>	<u>91.59%</u>	<u>607,038,796</u>	<u>25.68%</u>
Total	<u>662,806,000</u>	<u>100.00%</u>	<u>2,363,746,000</u>	<u>100.00%</u>



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.



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.



## 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.



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 insufficient indebtedness given the 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.



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.



SYNERGY GROUP

## 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.



SYNERGY GROUP

## 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.





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.



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



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



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	<u>72,000</u>	0.4450	<u>32,040.00</u>	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.



## 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.



## 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.



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.



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.





SYNERGY GROUP

## 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.



SYNERGY GROUP

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*