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CHINA SAITE GROUP COMPANY LIMITED

中國賽特集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 153)

SUPPLEMENTAL ANNOUNCEMENT ON THE SCHEME OF ARRANGEMENT

References are made to (i) the announcement of China Saite Group Company Limited dated 21 January 2022 and 4 February 2022 in relation to, among others, update on the proposed restructuring and dispatch of the scheme document; and (ii) the announcements of the Company dated 5 October 2021, 11 October 2021 and 10 December 2021 in relation to, among others, the issue of the senior notes and the subscription (the announcements referred in (i) and (ii) collectively as the “**Announcements**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

This announcement is to provide supplemental information on the Scheme of Arrangement.

SUPPLEMENTAL INFORMATION ON THE SCHEME OF ARRANGEMENT

Background

The Group is implementing the Proposed Restructuring which involves:

- (i) Group Reorganization — whereby, among other things, the Group’s non performing and/or non-core assets would be carved out through the creditors’ voluntary liquidation of Modern Day Holdings Limited, the details of which have been disclosed in the announcement of the Company dated 24 December 2021;
- (ii) Capital Injection — whereby the Company entered into agreement(s) with investors to issue the Senior Notes for around HK\$160 million and the Subscription Shares for approximately HK\$312 million, the details of which have been disclosed in the announcements of the Company dated 5 October 2021, 11 October 2021 and 10 December 2021; and
- (iii) Scheme of Arrangement — whereby the Company’s remaining indebtedness would be addressed by way of scheme of arrangement.

Key terms of the Scheme of Arrangement

The key terms proposed under the Scheme of Arrangement are as follows:

- (i) Pursuant to the Note Purchase Agreements entered between the Company on one part and the SN Investors respectively on the other part, the Company agreed to issue and the SN Investors agreed to purchase the Senior Notes in an aggregate principal amount of HK\$160 million. The Board intended to inject cash proceeds of HK\$120 million from the issue of the Senior Notes into the SchemeCo for the implementation of the Scheme for the benefit of the Scheme Creditors, with the remaining balance of HK\$40 million to pay the related fees and expenses and be used as working capital to sustain the business operation of the Group.
- (ii) Pursuant to the Subscription Agreements entered between the Company on one part and the SS Investors respectively on the other part, the Company agreed to allot and issue and the SS Investors agreed to subscribe the Subscription Shares in an aggregate principal amount of HK\$312 million. The Board intended to inject cash proceeds of HK\$62 million into the SchemeCo for the implementation of the Scheme for the benefit of the Scheme Creditors, with the remaining balance of HK\$250 million to pay the related fees and expenses and be used as working capital to sustain the business operations of the Group.
- (iii) The completion of the issue and subscription of the Senior Notes pursuant to the Note Purchase Agreements shall not be conditional upon the Resumption. The SN Investors have the right to convert the outstanding principal under the Senior Notes into Conversion Shares after the Resumption.
- (iv) The completion of the allotment, issue and subscription of the Subscription Shares pursuant to the Subscription Agreements shall be conditional upon the Resumption to take place on or before 30 June 2022 or such other date as the Company and the SS Investors may agree in writing, failing which the Subscription Agreements shall be terminated.
- (v) Subject to the sanction of the Hong Kong Court, the Company shall enter into the Scheme with the Creditors to eliminate all liabilities of the Company.
- (vi) Under the terms of the Scheme, the Scheme Creditors will be entitled to settlement of their respective Admitted Claims by selecting either the Equity Option or the Cash Option (but not both) in accordance with the terms of the Scheme. The amount of Claims to be admitted by the scheme administrators or adjudicator shall not include any interest accrued on the principal owed by the Company.

(a) Equity Option

The Company will allot, issue and register in the name of the Scheme Creditors who opt for Equity Option such number of New Shares, credited as fully paid, on the basis of one New Share for every HK\$0.1 of their respective Admitted Claims.

The allotment, issue and registration, as well as the listing of and permission to deal in the New Shares will be subject to the Court Order, the Resumption, approval of the Shareholders at an EGM and approval of the Listing Committee.

In the event that Resumption is not approved by the Listing Committee, the Company will allot, issue and register the New Shares in the name of the Scheme Creditors who opt for Equity Option under its status as a private company.

(b) *Cash Option*

HK\$120 million to be raised from the issue of the Senior Notes under the Note Purchase Agreements, together with the deposit in the sum of approximately HK\$38 million kept by the Company in its bank accounts in Hong Kong, totalling an amount of HK\$158 million cash will be paid by the Company to the SchemeCo as the Initial Cash Payment, and (subject to payment of Preferential Claims and scheme costs) payable to Scheme Creditors who elect to have their Admitted Claims settled by Cash Option on the first distribution date to be fixed by the scheme administrators.

Subject to the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option, Repayment Obligation in the maximum amount of HK\$100 million be paid out from the net cash flow to be generated by the Group over a period of not more than 5 years with the Minimum Yearly Payment. If the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option is less than the Initial Cash Payment after deducting the Preferential Claims and scheme costs, the Company will have no Repayment Obligation. If the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option is more than the Initial Cash Payment but less than the maximum amount of the Repayment Obligation, such amount should be reduced accordingly.

(c) *Changes to the Cash Option if Resumption is approved*

In the event that Resumption is approved by the Listing Committee, Further Cash Payment in the sum of HK\$62 million to be raised from the allotment and issue of the Subscription Shares under the Subscription Agreements will become available and payable by the Company to the SchemeCo as Further Cash Payment and payable to Scheme Creditors who opt for their Admitted Claims to be settled by the Cash Option.

Repayment Obligation will be accelerated and improved to become the Enhanced Repayment Obligation in the amount of either HK\$477 million, or the amount representing the total indebtedness (excluding interest) of the Company as at the Effective Date as admitted by the scheme administrators, whichever is lower, less the amount of Admitted Claims of Scheme Creditors who opt for the Equity Option, less the Initial Cash Payment and Further Cash Payment and any payment already made prior to the date of Resumption, to be paid out from the net cash flow to be generated by the Group over a period of not more than 2 years.

The Repayment Obligation or Enhanced Repayment Obligation (as the case may be) will be secured by the corporate guarantee to be issued by the Company in favour of the SchemeCo, as well as share charge over the equity interest of the Company in Anhui Saite Steel Structure Construction Co. Ltd* (安徽賽特鋼結構建設有限公司) held by Saite Group (Anhui) Co., Ltd.* (賽特集團(安徽)有限公司).

Under the terms of the Scheme of Arrangement:

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

from the Effective Date, each of the Scheme Creditors discharges and waives all its claims (including but not limited to liabilities under guarantee or indemnity given by the Company, after set-off in respect of mutual debts) against the Company in consideration of the right to participate in the Scheme according to the terms thereof.

Conditions of the Scheme of Arrangement

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

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

Current status of the Scheme of Arrangement

As disclosed in the announcement dated 21 January 2022, the Hong Kong Court has directed that the Scheme Meeting be convened for the purpose of considering, and if thought fit, approving the Scheme of Arrangement (with or without modification). The Company anticipates that the Scheme Meeting will be held on or around 25 February 2022 (Hong Kong time). The Scheme Document, together with the notice of the Scheme Meeting and the relevant form of proxy, have been despatched to the creditors of the Company on 4 February 2022.

The New Shares to be issued under the Equity Option shall be subject to Shareholders' approval. The Company proposes to seek the grant of the specific mandate from the Shareholders at the EGM for, among others, issuing and allotment of the New Shares under the Equity Option.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect since 22 June 2020 and will continue to be suspended until further notice.

The publication of this announcement does not necessarily mean that the Scheme of Arrangement will be approved, or successfully implemented and completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise specified:

“Admitted Claims”	the Claims of the Scheme Creditors against the Company which have been admitted by the Scheme Administrators or Adjudicator in accordance with the Scheme, the amount of which shall not include any interest accrued on the principal owed by the Company
“Board”	the board of directors of the Company
“Capital Injection”	the injection of capital to the Group by way of (i) issuance of the Senior Notes and (ii) the Subscription
“Cash Dividend”	the amount of cash available to be paid to the Scheme Creditors as dividend from the Scheme Funds after deducting the Preferential Claims, scheme costs which amount shall be paid in full and final settlement of the Admitted Claims

“Cash Option”	comprising of the Initial Cash Payment and the Repayment Obligation under the Scheme, which subject to the Resumption, may include the Further Cash Payment and the Repayment Obligation will be replaced by the Enhanced Repayment Obligation
“Company”	China Saite Group Company Limited (中國賽特集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 153)
“Court Order”	the order issued by the Hong Kong Court for the purpose of sanctioning the Scheme of Arrangement
“Creditors”	all Persons having Claims against the Company, excluding (i) Preferential Creditors, and (ii) the SN Investors and SS Investors to the extent of the amount due to any and/or all of them by the Company under the Note Purchase Agreements and the Subscription Agreements
“Effective Date”	the date on which the Scheme becomes effective which is the date when the Initial Cash Payment is received by the SchemeCo
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, to approve, among others, the Proposed Restructuring involving (i) the Group Reorganization; (ii) the Capital Injection (including the issue of the Senior Notes and the Subscription); and (iii) the Scheme of Arrangement and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the New Shares upon the Scheme of Arrangement becoming effective and the Conversion Shares upon the Notes Conversion and the issue of the Senior Notes
“Enhanced Repayment Obligation”	subject to the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option, in the event the Resumption is approved by the Listing Committee, the repayment obligation in the amount of either: <ul style="list-style-type: none"> (a) HK\$477 million, or (b) the amount representing the total indebtedness (excluding interest) of the Company as at the Effective Date as admitted by the Scheme Administrators, whichever is lower

less:

- (i) the amount of Admitted Claims of Scheme Creditors who opt for the Equity Option;
- (ii) the Initial Cash Payment;
- (iii) the Further Cash Payment; and
- (iv) any payments that had already been made under the Repayment Obligation prior to the Resumption Date

to be paid out from the net cash flow to be generated by the Group over a period of not more than 2 years from the date of Resumption;

Year 1 — HK\$100 million;

Year 2 — remaining balance of the Enhanced Repayment Obligation.

for the avoidance of doubt, “Year 1” shall mean by the end of the 12th calendar month following the date of Resumption and the meaning for Year 2 shall be construed accordingly

“Equity Option”	the allotment, issue and registration in the name of the Scheme Creditors of one New Share for every HK\$0.1 of the Admitted Claims
“Further Cash Payment”	in the event the Resumption is approved by the Listing Committee, a cash payment of HK\$62 million to be made by the Company to the SchemeCo to be financed by the cash proceeds arising from the issue of the Subscription Shares
“Group”	the Company and its subsidiaries
“Group Reorganization”	the changing of the structure of the Group and other things for the purpose of the Proposed Restructuring
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Court”	the High Court of Hong Kong

“Initial Cash Payment”	a cash payment of HK\$158 million to be made by the Company to the SchemeCo on the Effective Date, with HK\$120 million to be financed by the cash proceeds arising from the issue of the Senior Notes, and the deposit to be paid out or arranged to be paid out by the Company
“Listing Committee”	the listing committee of The Stock Exchange of Hong Kong Limited
“Minimum Yearly Payment”	<p>minimum yearly payment to be paid out of the net cash flow to be generated by the Group in fulfilling the Repayment Obligation:</p> <p>Year 1: HK\$10 million</p> <p>Year 2: HK\$15 million</p> <p>Year 3: HK\$20 million</p> <p>Year 4: HK\$25 million</p> <p>Year 5: HK\$30 million</p>
“New Share(s)”	shares to be issued, allotted and registered in the name of the Scheme Creditors who opt for the Equity Option under the Scheme
“Preferential Claim(s)”	any Claim(s) against the Company which would, if the Company were wound up on the Effective Date under the present winding-up Petition against the Company (HCCW 346/2020), be payable out of the assets of the Company pursuant to Section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in priority to the general unsecured debts of the Company
“Proposed Restructuring”	the proposed restructuring of the Company, involving, among other things, the Group Reorganization, the Capital Injection and the Scheme of Arrangement
“Repayment Obligation”	subject to the amount of Admitted Claims of Scheme Creditors who opt for the Cash Option, the maximum repayment obligation in the amount of HK\$100 million to be paid out from the net cash flow to be generated by the Group over a period of not more than 5 years with the Minimum Yearly Payment
“Resumption”	the resumption of trading in the Shares on the Stock Exchange

“SchemeCo”	a special purpose vehicle to be established and controlled by the scheme administrators to hold scheme assets pursuant to the terms of the Scheme of Arrangement
“Scheme Creditors”	all Creditors with Admitted Claims
“Scheme” or “Scheme of Arrangement”	the scheme of arrangement for the Company pursuant to sections 670 and 673 of the Companies Ordinance, or with or subject to any modification of it, any addition to it or any condition imposed by the Hong Kong Court
“Scheme Trust Account”	the interest bearing trust account controlled by the scheme administrators with a licensed bank in Hong Kong in which account the scheme administrators shall place and deposit all proceeds received in connection with the sale, realization and recoveries of the scheme assets for the purpose of and for the benefit of those entitled under the Scheme
“Shares”	ordinary shares of the Company
“SN Investor(s)”	the collective or respective description of 安徽洪林鋼結構製造有限公司 (Anhui Honglin Steel Structure Manufacturing Co., Ltd.*), 安徽大禹實業集團有限公司 (Anhui Dayu Shiye Group Co. Ltd.*) and Equity First Capital LC which agreed to subscribe the Senior Notes
“SS Investor(s)”	the collective or respective description of 安徽洪林鋼結構製造有限公司 (Anhui Honglin Steel Structure Manufacturing Co. Ltd.*), 安徽大禹實業集團有限公司 (Anhui Dayu Shiye Group Co. Ltd.*) and 江蘇凱盟投資有限公司 (Jiangsu Kaimeng Investment Co. Ltd.*) which agreed to subscribe for the Subscription Shares

By order of the Board
China Saite Group Company Limited
Li Xulin
Chairman

Hong Kong, 11 February 2022

As at the date of this announcement, the executive Directors are Mr. Li Xulin, Mr. Xu Fanghua, Mr. Liu Zhibo, Mr. Hua Gang, Mr. Shan Hu and Mr. Zhang Tianbo; and the independent non-executive Directors are Mr. Xu Jiaming, Mr. Yan Hualin, Mr. Wu Zhongxian, Mr. Choi Ho Yan and Mr. Siu Siu Ling, Robert.