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## **Quali-Smart Holdings Limited** **(滙達富控股有限公司\*)**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 1348)

### **PROPOSED ISSUE AND SUBSCRIPTION OF 6% CONVERTIBLE NOTES DUE 2026 UNDER GENERAL MANDATE**

#### **PROPOSED ISSUE AND SUBSCRIPTION OF THE CONVERTIBLE NOTES**

On 8 May 2023 (after trading hours), the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Company agreed to issue, and the Subscribers agreed to subscribe for the Convertible Notes with a principal amount of HK\$9,000,000, subject to the terms and conditions of the Subscription Agreement.

Based on the Conversion Price of HK\$0.081 per Conversion Share, a maximum of 111,111,111 Conversion Shares shall be allotted and issued by the Company upon exercise in full of the conversion rights attached to the Convertible Notes, representing (i) approximately 7.54% of the existing issued share capital of the Company; and (ii) approximately 7.01% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Notes.

The Conversion Price of HK\$0.081 per Conversion Share represents (i) no premium or discount as the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on the date of this announcement; (ii) a premium of 12.5% to the average closing price of HK\$0.072 per Share as quoted on the Stock Exchange over the 5 consecutive trading days of the Shares immediately preceding the date of this announcement; (iii) a discount of approximately 39.9% over the audited consolidated net asset value of the Group of approximately HK\$0.1348 per Share as at 31 March 2022; and (iv) a discount of approximately 34.5% over the unaudited consolidated net asset value of the Group of approximately HK\$0.1236 per Share as at 30 September 2022.

Completion of the Subscription shall be conditional upon the completion conditions as set out in the sub-section headed “Conditions precedent to Completion of the Subscription” under the section headed “Principal Terms of the Subscription Agreement” in this announcement. The Convertible Notes will be issued under the

General Mandate and the net proceeds from the Subscription are estimated to be approximately HK\$9 million, which the Company intends to use in full for offsetting part of the principal repayment of the outstanding amount of the Old Convertible Notes issued to the Subscriber on 11 May 2020 which shall fall due on 11 May 2023.

**Shareholders and potential investors should note that Completion is subject to the fulfillment or waiver (if applicable) of certain conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

### **Date**

8 May 2023

### **Parties**

Issuer: the Company

The Subscriber: Benefit Global Limited

To the best of the Directors' knowledge and having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

### **Conditions precedent to Completion of the Subscription**

Pursuant to the Subscription Agreement, Completion is conditional upon the fulfillment or waiver (as the case may be) of the following:–

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Conversion Shares (and such approval not being subsequently revoked or withdrawn);
- (b) the current listing of the Shares not having been withdrawn, the Shares continuing to be traded on the Stock Exchange on and prior to the date of Completion (save for (i) any temporary trading halt or suspension in trading in connection with transactions contemplated under the Subscription Agreement; or (ii) such other period or in such other circumstances as the Subscriber may agree) and neither the Stock Exchange nor the SFC having indicated that it will object to such continued listing for any reason;
- (c) each of the warranties under the Subscription Agreement remaining true, complete and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Subscription Agreement and Completion;

- (d) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to Completion under the Subscription Agreement; and
- (e) there having been no material adverse changes prior to Completion.

The Subscriber may jointly waive (in full or in part) any of the conditions precedent set out in paragraphs (b), (c), (d) and (e) above. The condition precedent set out in paragraph (a) cannot be waived by the Company or the Subscriber.

If any of the above conditions precedent have not been fulfilled (or waived, if applicable) by the Long Stop Date (or such other date as the parties may agree), then neither the Company nor the Subscriber shall be bound to proceed with the transactions contemplated under the Subscription Agreement.

### **Completion**

Upon fulfillment and/or waiver, as applicable, of the conditions precedent, Completion shall take place on the Long Stop Date (or such other date as the parties may agree). Pursuant to the Subscription Agreement, the Company and the Subscriber have agreed that the entire gross proceeds from the subscription of the Convertible Notes shall be used to offset against part of the principal repayment of the outstanding amount of the Old Convertible Notes on the same date.

### **Principal terms of the Convertible Notes**

Upon Completion, the Company will issue the Convertible Notes in an aggregate principal amount of HK\$9,000,000 to the Subscriber.

The principal terms and conditions of the Convertible Notes are summarized below:

- Issuer:** The Company.
- Principal Amount:** HK\$9,000,000.
- Maturity Date:** The third anniversary of the date of issue of the Convertible Notes, or, if that is not a business day, the first business day thereafter.
- Conversion:** Provided that (i) any conversion of the Convertible Notes does not result in the Subscriber and/or the holder(s) of the Convertible Notes and/or the parties acting in concert with any of them and/or their respective associates being interested in 30% or more of the voting rights as carried by the issued Shares of the Company or such lower percentage as may from time to time be specified in the Takeovers Code as being the level triggering a mandatory general offer obligation under the Takeovers Code on the part of the holder of the Convertible Notes which exercised the conversion rights attaching to the Convertible Notes; and (ii) any conversion of the Convertible Notes does not result in the

public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares, the holder of the Convertible Notes may convert the whole or part (in principal amounts of not less than a whole multiple of HK\$1,000,000 on each conversion or integral multiples thereof unless the amount of the outstanding principal amount of the Convertible Notes is less than HK\$1,000,000 in which case the whole (but not part only) of the principal amount shall be convertible) of the outstanding principal amount of the Convertible Notes at any time during the period commencing from the date of the issue of the Convertible Notes up to 4:00 p.m. (Hong Kong time) on the Maturity Date.

**Interest:** The Convertible Notes shall bear interest on its outstanding principal amount at the simple interest rate of six (6)% per annum, payable quarterly in arrears during the term of the Notes and accrued on a daily basis.

If the Company fails to pay any amount payable by it under the Notes on its due date, interest shall accrue on the overdue amount from the second day commencing from the due date to the date of actual payment of the overdue amount (both days inclusive) at a simple interest rate of twenty-four percent (24%) per annum accrued on a daily basis.

**Security:** The Convertible Notes shall be unsecured.

**Conversion Price:** The Convertible Notes may be converted into the Conversion Shares at the Conversion Price of HK\$0.081 per Conversion Share, representing

- a. no premium or discount over the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on 8 May 2023, being the date of this announcement;
- b. a premium of 12.5% over the average of the closing prices of approximately HK\$0.072 per Share for the five consecutive trading days of the Shares immediately preceding the date of this announcement;
- c. a discount of approximately 39.9% over the audited consolidated net asset value of the Group of approximately HK\$0.1348 per Share as at 31 March 2022; and
- d. a discount of approximately 34.5% over the unaudited consolidated net asset value of the Group of approximately HK\$0.1236 per Share as at 30 September 2022.

The Conversion Price shall be subject to adjustments upon the occurrence of any consolidation or sub-division or reclassification of the Shares in issue by the ratio of the number of Shares in issue immediately after such alteration against the number of Shares in issue immediately before such alteration. Such adjustment shall be effective on the date such alteration takes effect.

Other than the above, there are no other adjustments to the Conversion Price under the terms and conditions of the Convertible Notes.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber and was determined with reference to the latest closing prices of the Shares of the Company as quoted on the Stock Exchange, the financial conditions of the Group and the current market conditions. The Directors are of the view that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

**Conversion Shares:** Assuming the conversion rights attached to the Convertible Notes are exercised in full at the Conversion Price of HK\$0.081 per Conversion Share, a maximum of 111,111,111 Conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the Convertible Notes, representing:

- (i) 7.54% of the existing issued share capital of the Company; and
- (ii) approximately 7.01% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Notes.

The nominal value of such Conversion Shares will be US\$0.000025 per Share and the net price for each Conversion Share will be HK\$0.081.

**Status:** The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all Shares in issue at the date of allotment and issue of such Conversion Shares.

**Redemption:** (1) Unless previously converted or redeemed, the Company may redeem the Convertible Notes (in whole or in part) at 100% of the principal amount of such

Convertible Notes together with any accrued but unpaid interest at any time before the Maturity Date.

- (2) The Company shall redeem the Convertible Notes on the Maturity Date at the redemption amount which is 100% of the principal amount of the Convertible Notes then outstanding together with any accrued but unpaid interest.
- (3) Upon the occurrence of an event of default under the terms and conditions of the Convertible Notes, holder(s) of the Convertible Notes may request the Company to redeem the Convertible Notes then outstanding at an amount which is 100% of the principal amount of the Convertible Notes then outstanding together with any accrued but unpaid interest (including any default interest which may be applicable).

**Voting Rights:** The holder(s) of the Convertible Notes shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Notes.

**Transferability:** The Convertible Notes may be assigned or transferred in whole or in part (in principal amounts of not less than a whole multiple of HK\$1,000,000 on each transfer or integral multiples thereof) of its outstanding principal amount provided that a duly completed transfer form in respect of the assignment or transfer shall be served on the Company prior to such assignment or transfer. Any assignment or transfer of the Convertible Notes to a connected person of the Company shall be subject to the compliance of the requirements under the Listing Rules and the requirements (if any) that the Stock Exchange may impose from time to time.

**Listing:** No application will be made for a listing on the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in the Conversion Shares.

### **General Mandate**

Upon exercise in full of the conversion rights attached to the Convertible Notes, a maximum of 111,111,111 Shares shall be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Shareholders passed at the annual general meeting on 30 September 2022 to allot and

issue up to 294,846,400 Shares, which has an aggregate nominal amount representing 20% of the aggregate nominal value of the share capital of the Company in issue at the date of passing such resolution. As at the date of this announcement, none of the General Mandate has been previously utilised. As the Conversion Shares are to be issued under the General Mandate, the issue of the Conversion Shares is not subject to any Shareholders' approval.

## USE OF PROCEEDS OF THE ISSUE OF THE CONVERTIBLE NOTES

The net proceeds from the issue of the Convertible Notes after deducting necessary related expenses are estimated to be approximately HK\$9 million, which will be used in full for offsetting part of the principal repayment of the entire outstanding amount of the Old Convertible Notes issued to the Subscriber on 11 May 2020 which shall be due on 11 May 2023.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding in the Company (a) as at the date of this announcement and immediately after the completion of the Subscription but before exercise in full of the conversion rights attached to the Convertible Notes (assuming no further Shares will be issued or repurchased from the date of this announcement to the date of completion of the Subscription); and (b) immediately after the completion of the Subscription and upon exercise in full of the conversion rights attached to the Convertible Notes (assuming no further Shares will be issued or repurchased from the date of this announcement to the date of the full conversion of the Convertible Notes) are as follows:-

	As at the date of this announcement and immediately after the completion of the Subscription but before exercise in full of the conversion rights attached to the Convertible Notes		Immediately upon exercise in full of the conversion rights attached to the Convertible Notes	
	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Directors:</b>				
Mr. Lau Ho Ming Peter (Note 1)	492,464,000	33.40	492,464,000	31.06
Mr. Poon Pak Ki, Eric	7,896,000	0.54	7,896,000	0.50
Madam Li Man Yee, Stella (Note 1)	9,600,000	0.65	9,600,000	0.61
Mr. Chu, Raymond	27,448,000	1.86	27,448,000	1.73
Mr. Hau Yiu Por	2,340,000	0.16	2,340,000	0.15
Sub-total:	<u>539,748,000</u>	<u>36.61</u>	<u>539,748,000</u>	<u>34.05</u>

The Subscriber (Note 2)	38,452,000	2.61	149,563,111	9.43
Mr. Chu Sheng Yu, Lawrence (Note 2)	672,000	0.05	672,000	0.04
Sub-total:	39,124,000	2.66	150,235,111	9.47

**Public Shareholders:**

Other Shareholders	895,360,000	60.73	895,360,000	56.48
Total (Note 2)	1,474,232,000	100.00	1,585,343,111	100.00

*Notes:*

1. 482,864,000 shares are held by a company registered in the name of Smart Investor Holdings Limited (“Smart Investor”), a company owned as to 67.4% by Mr. Lau Ho Ming, Peter, the Executive Chairman of the Company, and 32.6% by Madam Li Man Yee, Stella, a non-executive Director of the Company and the spouse of Mr. Lau Ho Ming, Peter. Another 9,600,000 shares are held by Mr. Lau Ho Ming, Peter personally. Madam Li Man Yee, Stella also holds 9,600,000 shares personally. Both Mr. Lau Ho Ming, Peter and Madam Li Man Yee are deemed to be interested in all of the above 502,064,000 shares in aggregate.
2. The Subscriber holds 38,452,000 shares in the Company in its own name and Mr. Chu Sheng Yu, Lawrence, the ultimate beneficial owner of the Subscriber, also holds 672,000 Shares directly in his personal capacity.

The Subscriber will not become a core connected person to the Company upon closing of the Subscription nor is it expected to become a core connected person of the Company upon full conversion of the Convertible Notes. As disclosed in the above shareholding table, immediately after the completion of the Subscription and the full conversion of the Convertible Notes, the Company will continue to comply with the public float requirement under the Listing Rules.

**FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

**REASONS FOR THE SUBSCRIPTION**

The Group has been engaged in two core businesses, namely, toy manufacturing and the provision of financial services.

The Company issued the Old Convertible Notes to the Subscriber in May 2020 in the outstanding principal amount of HK\$40,000,000 which shall fall due on 11 May 2023. The issue of the Convertible Notes shall allow the Company to refinance the Old Convertible Notes in part under terms which are similar to the Old Convertible Notes and alleviate any immediate refinancing pressure of the Group under the current difficult market environments in general. The refinancing of the Old Convertible



Notes with the issue of the Convertible Notes also allows the Group to preserve some of its capital for the continued business developments of the Group.

Based on the above considerations, the Directors are of the view that the terms of the Subscription Agreement and the Convertible Notes are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE SUBSCRIBER**

The Subscriber is an investment holding company incorporated in the British Virgin Islands which is beneficially wholly-owned by Mr. Chu Sheng Yu, Lawrence, who is the founder of BlackPine Group and is an experienced financial investor in both the public and private equity markets. Mr. Chu Sheng Yu, Lawrence served as a non-executive Director of the Company from 22 June 2013 to 30 June 2015.

## **GENERAL**

Shareholders and potential investors should note that the completion of the Subscription is subject to the fulfillment of conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

## **DEFINITIONS**

The following terms have the following meanings in this announcement unless the context otherwise requires:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Quali-Smart Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board
“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Convertible Notes”	the 6% convertible notes in the aggregate principal amount of HK\$9,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement

“Conversion Price”	the initial conversion price of HK\$0.081 per Conversion Share (subject to adjustment)
“Conversion Shares”	the new shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting 30 September 2022 to issue and allot up to 294,846,400 Shares, representing 20% of the aggregate nominal value of the share capital of the Company in issue on the date of passing such resolution, none of which have been utilised as of the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	22 May 2023
“Main Board”	the Main Board of the Stock Exchange
“Old Convertible Notes”	the 6% convertible notes in the aggregate principal amount of HK\$40,000,000 issued by the Company to the Subscriber on 11 May 2020
“PRC”	The People’s Republic of China
“SFC”	The Securities and Futures Commission in Hong Kong
“Share(s)”	ordinary share(s) of US\$0.000025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Benefit Global Limited, which is beneficially wholly-owned by Mr. Chu Sheng Yu, Lawrence

“Subscription”	the subscription of the Convertible Notes pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 May 2023 between the Company and the Subscriber in relation to the Subscription
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

By Order of the Board  
**Quali-Smart Holdings Limited**  
**Lau Ho Ming, Peter**  
*Executive Chairman*

Hong Kong, 8 May 2023

*As at the date of this announcement, the Board comprises Mr. Lau Ho Ming, Peter (Executive Chairman), Mr. Poon Pak Ki, Eric, Mr. Chu Raymond and Mr. Hau Yiu Por as executive Directors; Madam Li Man Yee, Stella as non-executive Director; and Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward as independent non-executive Directors.*

*\* for identification purposes only*