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綠科科技
Greentech

GREENTECH TECHNOLOGY INTERNATIONAL LIMITED

綠科科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00195)

CONTINUING CONNECTED TRANSACTION

THE SERVICE AGREEMENT

On 3 December 2020, the Service Agreement was entered into between Greentech Development (a wholly-owned subsidiary of the Company) and the Agent under which the Agent will provide sourcing and processing services in respect of kilobar gold with 99.9% purity for a term of two years commencing from the date of the Service Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tan Sri Dato' KOO Yuen Kim, the Chairman and an executive Director, is interested in approximately 40.12% of the equity interest in the Agent. The Agent is therefore a connected person of the Company and the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the annual caps for the Service Agreement are more than 0.1% but less than 5%, the continuing connected transactions under the Service Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Greentech Development (a wholly-owned subsidiary of the Company) has entered into the Service Agreement with the Agent under which the Agent will provide sourcing and processing services in respect of kilobar gold with 99.9% purity. The principal terms of the Service Agreement are summarised below.

THE SERVICE AGREEMENT

Date

3 December 2020

Parties

Agent: Perfect Hexagon Limited

Buyer: Greentech Technology International Development Limited, a wholly-owned subsidiary of the Company

Term

The term of the Service Agreement is two years commencing from the date of the Service Agreement.

Services to be provided

Greentech Development will instruct the Agent to source 100 kilograms (3,215.07 Troy Ounce) (plus/minus 5%) of gold with 99.9% purity for each batch. The Agent will assist Greentech Development to secure the gold supplier (who will be independent third party) and Greentech Development will be responsible to make the payment directly to the selected supplier. The Agent is responsible for ensuring the kilobar gold delivered by the supplier is with merchantable quality and conform to the specification and quantities set out in the purchase order. The gold price will be based on the trade day LBMA price on invoice date or pricing which may be agreeable between Greentech Development and the supplier.

After the purchase of kilobar gold, Greentech Development will entrust the Agent to process the gold into gold products. Greentech Development will receive the gold products (being LBMA delivery gold bar and jewelry) on or before the fifteenth day after the invoice date with maximum 0.02% lesser in weight/quantity due to loss in processing.

The Agent will compensate Greentech Development should Greentech Development suffer financial loss in relation to the quality or quantity of the gold.

Service fee and pricing basis

The annual volume of kilobar gold to be purchased by Greentech Development will be up to 1.5 tonnes (plus/minus 5%) for financial year ending 31 December 2020 and 14 tonnes (plus/minus 5%) for each of the financial years ending 31 December 2021 and 2022. Based on 18 November 2020 LBMA closing price of USD1,872.24 per troy ounce (1 metric tonne equivalent to 32,150.7 troy ounce) current month gold price, the gross value of the total purchases will be up to approximately USD90 million (equivalent to approximately HK\$697.5 million) for the financial year ending 31 December 2020 and approximately USD843 million (equivalent to approximately HK\$6,533.3 million) for each of the financial years ending 31 December 2021 and 2022.

The Agent will charge a total service fee of USD5.20 per troy ounce for processing the kilobar gold for Greentech Development (“**Service Transaction**”). Under the Service Agreement, the Agent will be receiving up to USD263,314 (equivalent to approximately HK\$2,040,684) for the financial year ending 31 December 2020 and up to USD2,457,600 (equivalent to approximately HK\$19,046,400) for each of the financial years ending 31 December 2021 and 2022. All payments shall be made in US Dollars against invoice from the Agent on the trade day for the processing fee while payment for the gold will be paid to the suppliers directly.

The service fee charged by the Agent was determined on arm's length basis and based on the prevailing market rate for similar services at the relevant time and the comparable quotes from at least two independent third parties for similar services obtained via price inquiry.

Internal Control Policies and Measures

The Company will establish a management committee which will comprise certain directors and officers of the Company (excluding Tan Sri Dato' KOO Yuen Kim and Mr. SIM Tze Jye) to regularly monitor the transactions contemplated under the Service Agreement and ensure that the Service Transaction is carried out in accordance with the Company's pricing policies and in accordance with the Service Agreement and will not exceed the annual cap. The management committee will also conduct periodic market research by obtaining price quotations from other service provider for similar services provided to ensure that the service fee charged by the Agent under the Service Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company's external auditors will conduct annual review of the Service Transaction to confirm whether the Service Transaction is carried out in accordance with the Company's pricing policies and in accordance with the Service Agreement, is approved by the Board and has not exceeded the annual caps. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the Service Transaction and confirm whether the Service Transaction is conducted in the ordinary and usual course of business and the Service Transaction is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

Annual caps

The service fee payable by Greentech Development to the Agent for the term of the Service Agreement is subject to annual caps of USD263,314 (equivalent to approximately HK\$2,040,684) for the period from 3 December 2020 to 31 December 2020 and USD2,457,600 (equivalent to approximately HK\$19,046,400) for each of the financial years ending 31 December 2021 and 2022.

The above annual caps were determined with reference to the estimated gold purchase volume as contemplated under the Service Agreement.

Loan Agreement

In connection with the transactions contemplated under the Service Agreement, pursuant to a loan agreement dated 3 December 2020, Greentech Development will borrow a loan of USD30,000,000 (equivalent to approximately HK\$232,500,000) from Tan Sri Dato' KOO Yuen Kim, the Chairman and an executive Director, for a one-year term commencing from the date of withdrawal of the full amount of the loan. The interest rate of the loan is 6% per annum, which shall be payable half-yearly. The loan shall be used by Greentech Development for the purposes of gold processing and trading and conducting normal business activities.

The Directors consider that entering into the Loan Agreement will enable the Group to obtain additional capital to expand the business and broaden the revenue base of the Group. The terms of the Loan Agreement, including the applicable interest rate, are entered into after arm's length negotiations between the parties and taking into account, among other, the prevailing market interest rates.

The Directors (including the independent non-executive Directors) are of the view that the Loan Agreement was entered into on normal commercial terms and its terms are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. In view of Tan Sri Dato' KOO Yuen Kim being a connected person of the Company, the loan constituted financial assistance received by the Group from a connected person and therefore a connected transaction of the Company under Chapter 14A of the Listing Rules. As such loan is provided to the Greentech Development on normal commercial terms or better and is not secured by the assets of the Group, it is fully exempt pursuant to Rule 14A.90 of the Listing Rules.

INFORMATION OF THE AGENT

The Agent is a company incorporated in Hong Kong and is an established downstream player with vast experiences in both LBMA (precious metals) and London Metal Exchange (base metals) processing and trading businesses. The Agent is one of the recognized liquidity providers of Hong Kong Futures Exchange Limited for physical delivery of commodities.

REASONS AND BENEFITS FOR ENTERING INTO THE SERVICE AGREEMENT

The main businesses of the Group include the exploration, development and mining of tin and copper bearing ores in Australia. Greentech Development is a Hong Kong-based investment holding company. Collaboration with the Agent is a step forward for the Group to diversify its concentration in upstream and pave the way for the Group to venture into downstream which usually has a smaller but consistent margin as compared to mining.

By partnering with the Agent, the Group will be able to venture into downstream namely processing (including both refining and melting) with minimal risk as the suppliers will be filtered and assured by the Agent who is existing member of London Metal Exchange and Singapore Bullion Market Association.

The proposed trading activities also opens good opportunities for the Group to establish relationship with many other industry domestic and international industry players. This will help to seize opportunities that arise in downstream including setting up own smelter or refinery plant.

The Agent's strong Chinese and Malaysian constituents be it shareholding, human resource, market reach or industry expertise added advantages to facilitate ASEAN regional trades and investment flows into China and other ASEAN countries.

The Board is of the view that collaborating with the Agent will help the Group to diversify the resources and capital to expand its business activities to new areas and will allow the Group to secure additional source of revenue which will improve Shareholders' return given the considerable size and business operations of the Agent. Given the size and reputation of the Agent, it is the corporate strategy of the Group, through the transactions under the Service Agreement with the Agent, to maintain business relationship with the Agent and to explore further investment opportunities in the future.

The Directors (including the independent non-executive Directors) consider that the terms of the Service Agreement (including the service fee and annual caps) are fair and reasonable, and that the transactions contemplated under the Service Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

In addition to Tan Sri Dato' KOO Yuen Kim's interest in the Service Agreement, Mr. SIM Tze Jye, an executive Director and an executive director of Greentech Development, is considered to have a material interest in the Service Agreement and the transactions contemplated thereunder as he is also an executive director of the Agent. As such, Tan Sri Dato' KOO Yuen Kim and Mr. SIM Tze Jye were required to abstain and had so abstained from voting on the board resolutions of the Company for considering and approving the Service Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tan Sri Dato' KOO Yuen Kim, the Chairman and an executive Director, is interested in approximately 40.12% of the equity interest in the Agent. The Agent is therefore a connected person of the Company and the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the annual caps for the Service Agreement are more than 0.1% but less than 5%, the continuing connected transactions under the Service Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless that context requires otherwise:

“Agent”	Perfect Hexagon Limited, a company incorporated in Hong Kong
“ASEAN”	Association of Southeast Asian Nations
“Board”	the board of Directors
“Company”	Greentech Technology International Limited (綠科科技國際有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Greentech Development”	Greentech Technology International Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“LBMA”	London Bullion Market Association
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Service Agreement”	the service agreement dated 3 December 2020 entered into between the Agent and Greentech Development in relation to the provision of sourcing and processing services of kilobar gold with 99.9% purity by the Agent to Greentech Development
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For illustration purposes in this announcement, the conversions of USD to HK\$ are made for illustration purposes only at the exchange rate of USD1 to HK\$7.75.

By the order of the Board
Greentech Technology International Limited
Tan Sri Dato’ KOO Yuen Kim
P.S.M., D.P.T.J. J.P
Chairman

Hong Kong, 3 December 2020

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely, Tan Sri Dato’ KOO Yuen Kim P.S.M., D.P.T.J. J.P (Mr. HSU Jing-Sheng as his alternate), Ms. XIE Yue, Mr. HSU Jing-Sheng, Mr. WANG Chuanhu and Mr. SIM Tze Jye; and three independent non-executive directors, namely, Datin Sri LIM Mooi Lang, Mr. KIM Wooryang and Ms. PENG Wenting.

Website: <http://www.green-technology.com.hk>