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**(1) PROPOSED DEBT RESTRUCTURING INVOLVING
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) APPLICATION OF WHITEWASH WAIVER;
(3) SPECIAL DEAL IN RELATION TO REPAYMENT OF
SHAREHOLDER'S LOAN; AND
(4) RESUMPTION OF TRADING**

Financial adviser to the Company



**PROPOSED DEBT RESTRUCTURING INVOLVING ISSUE OF CONVERTIBLE
BONDS UNDER SPECIFIC MANDATE**

On 18 October 2024 (after trading hours), the Company entered into the Settlement Agreement with the Creditors, pursuant to which the Company has conditionally agreed to capitalise the Outstanding Debt owed to the Creditors by the Company, the Creditors has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$91,534,164 to the Creditors.

TAKEOVERS CODE IMPLICATIONS

Application for Whitewash Waiver

As at the date of this announcement, (i) Mr. Zheng, one of the Creditors, holds 40,000 Shares; and (ii) the remaining Creditors, being Rosy Benefit and Sunshine Flame, do not hold any Shares.

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, (1) upon full conversion of the Convertible Bonds at the initial Conversion Price, (i) 4,576,708,200 Conversion Shares (including the 2,562,500,000 Conversion Shares to be allotted and issued to Rosy Benefit) will be allotted and issued to the Creditors and the interest of the Creditors Concert Group in the voting rights of the Company will increase to 82.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (ii) 2,562,500,000 Conversion Shares will be allotted and issued to Rosy Benefit and the interest of Rosy Benefit in the voting rights of the Company will increase to 46.10% of the issued share capital of the Company as enlarged by the allotment and issue of all of the 4,576,708,200 Conversion Shares in full; and (2) upon full conversion of the Convertible Bonds at the initial Conversion Price in full by Rosy Benefit only, 2,562,500,000 Conversion Shares will be allotted and issued to Rosy Benefit and (i) the interest of Rosy Benefit in the voting rights of the Company will increase to 72.29%; and (ii) the interest of the Creditors Concert Group in the voting rights of the Company will increase to 72.30% of the issued share capital of the Company as enlarged by the allotment and issue of the 2,562,500,000 Conversion Shares.

As such, Rosy Benefit and/or the Creditors Concert Group will therefore be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted.

Rosy Benefit will apply to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Conversion Shares. The Whitewash Waiver, if granted by the Executive, would be subject to (i) the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, and the Specific Mandate; and (ii) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll.

The Executive may or may not grant the Whitewash Waiver. The Debt Restructuring will not proceed if the Whitewash Waiver is not granted or approved.

None of the Creditors Concert Group had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing on the date falling six months prior to the date of this announcement and ending on the date of this announcement.

Special Deal in relation to repayment of Shareholder's loan

As at the date of the Settlement Agreement and the date of this announcement, Mr. Zheng, being one of the Creditors, is a Shareholder holding 40,000 Shares, representing less than 0.01% of the issued Shares as at the date of this announcement. Based on the records of the Company, the Company is also indebted to Triumph Hope Limited, who holds 501,330,000 Shares as at the date of this announcement.

As the proposed settlement of the indebtedness due to Mr. Zheng under the Debt Restructuring was not extended to all other Shareholders such as Triumph Hope Limited, the proposed settlement of the indebtedness due to Mr. Zheng under the Debt Restructuring constituted a Special Deal under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Debt Restructuring, the Settlement Agreement and the Special Deal are fair and reasonable; and (iii) approval by the Independent Shareholders at the SGM of the Special Deal.

An application will be made by the Company to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

In the event the consent to the Special Deal under Rule 25 of the Takeovers Code were not being obtained from the Executive or the Special Deal were not being duly approved by the Independent Shareholders in the SGM, the Debt Restructuring shall not proceed.

GENERAL

The Conversion Shares will be allotted and issued under the Specific Mandate and subject to the Shareholders' approval at the SGM.

Save for Mr. Zheng, no other Shareholders and their respective associates are interested in and/or involved in the Debt Restructuring, the Settlement Agreement, allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver. Save for Mr. Zheng, no other Shareholders will be required to abstain from voting on the relevant resolutions to approve the Debt Restructuring, the Settlement Agreement, the Specific Mandate, the Special Deal 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 Conversion Shares on the Stock Exchange.

Establishment of Independent Board Committee

The Independent Board Committee comprising Mr. Sin Ka Man, Ms. Liang Lina and Mr. Chen Yifan (being all the independent non-executive Directors) has been established by the Company under the Listing Rules and Takeovers Code to advise the Independent Shareholders on the Debt Restructuring, the Settlement Agreement and the transaction contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver.

Appointment of Independent Financial Adviser

The Company will appoint the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee and Independent Shareholders on the Debt Restructuring, the Settlement Agreement and the transaction contemplated thereunder, the relevant Specific Mandate, the Special Deal and the Whitewash Waiver. A further announcement will be made after the Independent Financial Adviser has been appointed.

THE SGM

The SGM will be convened for the purpose of considering, and if thought fit, approving the Debt Restructuring, the Settlement Agreement, the allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver.

A circular containing, among other things (i) further details of the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver; and (ii) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 12 February 2025.

As the issuance of the Convertible Bonds would result in a theoretical dilution effect of approximately 61.06%, which is higher than the 25% threshold as set out in Rule 7.27B of the Listing Rules, the Company had submitted an application to the Exchange to seek the consent of the Stock Exchange in accordance with the Listing Rules. The Stock Exchange may or may not grant the consent in this regard. In the event the consent pursuant to Rule 7.27B is not being obtained from the Stock Exchange, the Debt Restructuring shall not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 21 October 2024 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on 9 January 2025 on the Stock Exchange.

PROPOSED DEBT RESTRUCTURING INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

As at the date of this announcement, the Company had the Outstanding Debt with an aggregate balance of approximately HK\$91.5 million.

Background of the Outstanding Debt

Details of the Outstanding Debt

The Outstanding Debt represented the outstanding principal of the unsecured promissory notes issued to the Creditors and the respective interested accrued. Details of the Outstanding Debt are set out as follows:

Creditors	Initial date of cash receipt by the Company	Date of agreement in respect of the relevant promissory note	Initial maturity date	Extended maturity date	Principal amount of the promissory notes HK\$	Interest rate of the promissory note	Amount of Outstanding Debt as at 15 October 2024 HK\$	Conversion Shares to be allotted and issued under the Debt Restructuring (Note 1)
Rosy Benefit	12 August 2021 (Note 2)	12 October 2024 (Note 2)	11 October 2025	N/A	51,250,000	3.0%	51,250,000	2,562,500,000
Sunshine	6 June 2019	6 June 2019	5 June 2021	5 June 2025	10,000,000	3.0%	10,772,603	998,283,550
Flame	15 April 2021	15 April 2021	14 April 2023	14 April 2025	9,000,000	3.0%	9,193,068	
Mr. Zheng	12 March 2021	12 March 2021	11 March 2023	11 March 2025	3,000,000	4.0%	3,096,986	1,015,924,650
	15 July 2021	15 July 2021	14 July 2023	14 July 2025	12,000,000	3.0%	12,167,671	
	7 June 2024	7 June 2024	6 June 2025	N/A	5,000,000	3.0%	5,053,836	
Total					90,250,000		91,534,164	4,576,708,200

Notes:

1. The Conversion Shares to be issued and allotted under the Debt Restructuring represented each of the Outstanding Debt divided by the Conversion Price of HK\$0.02 subject to rounding adjustments.
2. During the suspension of trading of the Shares from 4 November 2021 to 26 June 2023, Rosy Benefit had continued to provide financial support to the Company for business development and daily operation of the Group by way of financial advance (the “**Advance**”) with over 40 batches since 12 August 2021 to 31 July 2024, while the Company had partially repaid some of the Advance throughout the period. The highest outstanding balance of the Advance from 12 August 2021 up to 12 October 2024 was approximately HK\$54,140,000 on 27 December 2023. No interest was recognised in respect of the Advance. The outstanding balance of the Advance was HK\$39,780,000 as at 12 October 2024.

Upon the receipt of the Statutory Demand as publicly disclosed in the announcement of the Company on 10 October 2024, Rosy Benefit demanded the immediate repayment of the Advance in the amount of HK\$39,780,000. In view of the limited financial resources, the Company, at its best endeavor, negotiated with Rosy Benefit. On 12 October 2024, the Company reached the agreement with Rosy Benefit that (i) an interest in the amount of HK\$11,470,000 (rounded down from HK\$11,477,003) have been accrued retrospectively on the outstanding Advance at the interest rate ranging from 8% to 16% per annum for the period from 12 August 2021 to 12 October 2024; (ii) the Company shall issue a promissory note in the principal amount of HK\$51,250,000 (representing (1) the outstanding balance of the Advance of HK\$39,780,000 as at 12 October 2024 plus (2) the interest accrued retrospectively in the amount of

HK\$11,470,000) which carries an interest rate of 3% per annum to Rosy Benefit to settle the Advance. As the interested accrued from 12 to 15 October 2024 is immaterial, Rosy Benefit and the Company had agreed that the outstanding balance of the abovementioned promissory note issued to Rosy Benefit was HK\$51,250,000 as at 15 October 2024 (being the date of the Settlement Agreement). As such, the outstanding balance of HK\$51,250,000 was adopted in the Settlement Agreement as illustrated above.

As the respective settlement to each of the Creditors are in effect inter-conditional under the Settlement Agreement, the Creditors Concert Group, being each of Rosy Benefit, Sunshine Flame and their respective ultimate beneficial owners and Mr. Zheng and their respective concert parties, are deemed to be acting in concert with each other.

Pursuant to the terms of the respective promissory notes above, the principal amount and respective interest of the promissory notes shall be paid by the Company in full on their respective maturity date.

The holder of the promissory notes may, following the occurrence of any of the following event of defaults, demand all principal amount and accrued interest under the respective promissory notes to be immediately payable.

- (i) the Company fails to repay any of the promissory notes or any portion thereof when due, including the principal and the interest;
- (ii) the Company fails to comply with or to perform any other terms, obligations, covenants or conditions contained in the promissory note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between the holder of the promissory note and the Company;
- (iii) any warranty, representation, statement made or furnished to the holder of the promissory note by the Company or on the Company's behalf under the holder of the promissory note; or related documents is false or misleading in any material respect, either as at the date of the issuance of the promissory note or at the time made or furnished or becomes false or misleading at any time thereafter;
- (iv) commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of the Company or by any governmental agency against the collateral which secures such promissory note;
- (v) a material adverse change occurs in the Company's financial condition or the holder of the promissory note believes the prospect of payment or performance of the promissory note is impaired; and
- (vi) the insolvency of the Company, the appointment of a receiver of any part of the Company's property, any assignment of benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the Company.

For item (ii) above, as at the date of this announcement, save for the promissory notes issued to the respective noteholders, there are no other documents entered into between the Company and the respective noteholders. For item (iv) above, as at the date of this announcement, there are no collateral on any of the promissory notes.

As at the date of this announcement, save for (i) Mr. Zheng believes the prospect of payment or performance of holder of the promissory note is impaired which constituted an event of default (v) above; and (ii) Sunshine Flame claimed the receipt of the Statutory Demand by the Company constituted an event of default (i) above, there are other no event of defaults as detailed above had occurred or claimed by the holders of the promissory notes.

Debt refinancing in 2019

In 2018, the Company entered into a loan agreement with its ultimate holding company, Triumph Hope Limited, for a loan of HK\$80 million (the “**Loan from Ultimate Holding Company**”) for refinancing certain loans from independent third parties conducted prior to 2018. The Loan from Ultimate Holding Company was unsecured and initially repayable in one year, which carries a fixed interest rate of 9.5% per annum. As the Company could not settle the Loan from Ultimate Holding Company upon its maturity at the material time, the ultimate holding company agreed to revise the repayable term as repayable on demand.

As disclosed in the announcements of the Company dated 14 and 17 June 2019, the Company issued convertible bonds in the principal amount of HK\$39 million (the “**2019 CB**”) to Great River Capital Limited, an independent third party, in 2019 for financing the repayment of the Loan from Ultimate Holding Company. The proceeds have been fully utilised for the partial settlement of the principal and then interest payable of the Loan from Ultimate Holding Company and the remaining proceeds were utilised as working capital for the Group. The principal amount of the Loan from Ultimate Holding Company and the accrued interest is (i) HK\$50 million and approximately HK\$8 million respectively as at 30 June 2024; and (ii) HK\$50 million and approximately HK\$9 million respectively as at the date of this announcement. As at the date of the announcement, the Company did not receive any demand for immediate repayment of the Loan from Ultimate Holding Company.

On 6 June 2019, the Company issued a promissory note of HK\$10 million (the “**SF PN1**”) with a maturity date of June 2021 to Sunshine Flame for replenishing working capital of the Group as disclosed in the annual report of the Company for the year ended 31 December 2019, the proceed of which was fully utilised by the Group as intended during the year ended 31 December 2020.

Funding needs for the development of the business of the Company since 2021

The Company commenced its cross-border business since 2017. In view of the continuous loss-making performance of the Company prior to 2020 and the decision of the Listing Committee on the compliance of Rule 13.24 of the Listing Rules in late 2019, the Company recognised the need to refine its cross-border business by improving its business model and scale of operation. As such, The Company expanded its cross-border business under the S2B2C in 2021 and B2C model in 2022.

The S2B2C model is to provide value-added service to e-commerce distributors and/or end consumers in the PRC by (i) securing a cross-border e-commerce platform that integrates overseas direct procurement, import and export supply chain management; and (ii) leasing of several bonded warehouses, which allow the Group to efficiently import products into the PRC and maintain inventory to respond to customer orders in a swift manner, while providing custom clearance, warehouse storage and logistics assistance to its customers to

strengthen its competitive edge. The principal products of the Company mainly consisted of cosmetic and personal care products. In the second half of 2022, the Company commenced the establishment of its own B2C sales channel by opening and operating several online stores on a number of reputable online e-commerce platforms in the PRC.

Accordingly, in order to finance the above business development of the Company during the suspension of trading of the Shares from November 2021 to June 2023, the Company had explored various debt fundraising opportunities and conducted the following actions:

- (i) negotiated with the holder of the 2019 CB and reached an agreement with the holder of the 2019 CB to (1) waive the accrued interests of the 2019 CB; (2) extend the maturity date of the 2019 CB to June 2025; and (3) the 2019 CB would no longer be convertible into Shares;
- (ii) negotiated with Sunshine Flame and reached an agreement to extend the maturity date of SF PN1 in the principal amount of HK\$10 million from June 2022 to June 2023;
- (iii) issued (1) a promissory note with the principal amount of HK\$9 million to Sunshine Flame in April 2021 (the “**SF PN2**”) which would mature in April 2023; and (2) a promissory note with the principal amount of HK\$3 million (the “**Zheng PN1**”) and HK\$12 million (the “**Zheng PN2**”) to Mr. Zheng in March and July 2021 respectively, which would mature in March and July 2023 respectively, for financing the business development of the Group; and
- (iv) obtained the Advance from Rosy Benefit since the second half of 2021 to finance the business development and daily operation of the Group.

Resumption of trading of the Shares in 2023

Upon the resumption of trading in the Shares in June 2023, the cash balance of the Company was approximately HK\$14.9 million as at 30 June 2023, which was not sufficient to repay the SF PN1, Zheng PN1 and Zheng PN2, being the promissory notes held by Sunshine Flame and Mr. Zheng, upon their respective maturity dates. As such, the Company negotiated with Sunshine Flame and Mr. Zheng, being the holders of the promissory notes, to waive the accrued interest expenses, and further extend the respective maturity date of SF PN1, Zheng PN1 and Zheng PN2 by two years to June 2025, March 2025 and July 2025 respectively as detailed in the table in the section headed “Details of the Outstanding Debt” above.

Taking into account (i) the Shares resumed trading in June 2023; and (ii) the financial performance of the Company improved as demonstrated by the re-compliance of Rule 13.24 of the Company in 2023, Sunshine Flame and Mr. Zheng showed confidence in the Company and agreed to extend the respective maturity date of their respective promissory notes by 2 years as detailed in the table in the section headed “Details of the Outstanding Debt” above. However, they reminded the Company that the respective outstanding balance had to be settled by such extended maturity date in 2025.

Uncertain economic environment in the PRC

Due to the uncertain economic environment in the PRC, the overall consumption sentiment has declined sharply since late 2023. Despite the Group continued to record satisfactory financial performance in the first half of 2024, the customers of the Group had difficulties in settling their accounts receivable to the Group as they fall due. Accordingly, the Company had no choice but to compromise in extending the credit period for its customers to settle their accounts receivables. As such, the Company would have difficulties in maintaining its cash balance for its daily operation if it attempts to settle the liabilities of the Group. In view of the above, in June 2024, the Company further issued a promissory note in the principal amount of HK\$5 million (the “**Zheng PN3**”) to Mr. Zheng.

Events leading to the demand of repayment from the Creditors

Upon the publication of the interim results of the Company for the six months ended 30 June 2024 on 15 September 2024, Mr. Zheng became aware of the latest financial position of the Group, in particular the low cash balance and enquired with the Company on whether the Company may settle his respective promissory notes. Despite the best effort of the Company to explain and demonstrate the financial performance of the Group, Mr. Zheng expressed his disappointment and considered the Company would not be able to repay his promissory notes by the respective extended maturity date.

Statutory demand received by the Company

Reference is made to the announcements of the Company dated 17 September, 10 and 14 October 2024. As disclosed in the announcement of the Company dated 10 October 2024, on 10 October 2024, the Company received the Statutory Demand issued by Mr. Zheng demanding the immediate repayment of an outstanding sum of approximately HK\$20.3 million, being part of the Outstanding Debt on the basis that an event of default under the promissory notes held by Mr. Zheng had occurred. Mr. Zheng claimed that, based on the interim results announcement of the Company dated 15 September 2024, he had reasons to believe that the prospect of payment or performance of the promissory notes is impaired, which constituted a material adverse change that is an event of default pursuant to the terms of the promissory notes. As such, Mr. Zheng demanded the immediate repayment of the promissory notes owned to him.

On 14 October 2024, the Company further received a demand letter from Sunshine Flame (the “**Demand Letter**”), stating the receipt of the Statutory Demand by the Company had constituted an event of default of the promissory note issued by the Company held by it, and therefore demanding the immediate repayment of an outstanding sum of approximately HK\$9.2 million, representing the principal amount and respective accrued interest of one of the promissory notes held by Sunshine Flame, being part of the Outstanding Debt.

As disclosed above, during the suspension of trading of the Shares from 4 November 2021 to 26 June 2023, Rosy Benefit had continued to provide financial support to the Company for business development and daily operation of the Group by way of the Advance. No interest was recognised in respect of the Advance. The outstanding balance of the Advance was HK\$39,780,000 as at 12 October 2024. Upon the receipt of the Statutory Demand as publicly disclosed in the announcement of the Company on 10 October 2024, Rosy Benefit became aware of the Statutory Demand and Demand Letter from the announcements of the

Company, and demanded the immediate repayment of the Advance in the amount of HK\$39,780,000. In view of the limited financial resources, the Company, at its best endeavor, negotiated with Rosy Benefit. On 12 October 2024, the Company reached the agreement with Rosy Benefit that (i) an interest in the amount of HK\$11,470,000 (rounded down from HK\$11,477,003) have been accrued retrospectively on the outstanding Advance at an interest rate ranging from 8% to 16% per annum for the period from 12 August 2021 to 12 October 2024; (ii) the Company shall issue a promissory note in the principal amount of HK\$51,250,000 (representing (1) the outstanding balance of the Advance of HK\$39,780,000 as at 12 October 2024 plus (2) the interest accrued retrospectively in the amount of HK\$11,470,000) which carries an interest of 3% per annum to Rosy Benefit to settle the Advance.

Negotiation with the Creditors

Despite the Company recorded satisfactory financial performance since 2022, the Company had difficulties in improving its cashflow while continuing the development of its business. Based on the latest financial position of the Company, it is highly likely that the Company could not settle the Outstanding Debt by their maturity dates in 2025.

The Company has concern as to whether the Statutory Demand and the Demand Letter will further trigger any potential cross default provisions in other debt instruments issued by the Company. As such, in order to avoid in the risk of any of the Creditors filing winding-up petitions against the Company, the Group commenced negotiation with the Creditors in exploring the settlement of the Outstanding Debt by way of the Debt Restructuring after receiving the Statutory Demand on 10 October 2024.

Discussion with other creditors of the Company

As at the date of this announcement, the indebtedness position of the Company, other than those incurred in the ordinary course of business, are set out as follows:

Nature	Holder	Maturity date	Principal HK\$'000	Outstanding amount as at the date of the Settlement Agreement HK\$'000
Loan from Ultimate Holding Company	Triumph Hope Limited	Repayable on demand	50,000	58,511
Corporate bonds (“ FB Bond ”) (Note 1)	Forever Brilliance International Group Co., Limited (Note 2)	June 2025	39,000	43,926
Corporate bonds (“ Bond A ”)	A PRC citizen (Note 2)	August 2022	3,000	3,710
Corporate bonds (“ Bond B ”)	A PRC citizen (Note 2)	November 2022	3,000	3,703
The Outstanding Debt	(Note 3)		<u>90,250</u>	<u>91,534</u>
Total			<u>185,250</u>	<u>201,384</u>

Notes:

1. The FB Bond issued to Forever Brilliance International Group Co., Limited represented the 2019 CB issued by the Company in June 2019, which was transferred from Great River Capital Limited to Forever Brilliance International Group Co., Limited in February 2022. In August 2022, the maturity date of the 2019 CB was extended to June 2023. In April 2023, the Company further reached an agreement with the bondholder that (i) the conversion right under such convertible bonds have lapsed; and (ii) the maturity date of the FB Bond was further extended to June 2025.
2. Forever Brilliance International Group Co., Limited and the abovementioned PRC citizens, who are the holders of Bond A and Bond B issued by the Company, are Independent Third Parties.
3. The details of the Outstanding Debt are set out under the section headed “Details of the Outstanding Debt” above in this announcement.

The Company had, during the course of the negotiation with the Creditors, discussed with the above creditors of the Company.

In respect of the Loan from Ultimate Holding Company, as disclosed in the Company’s announcement dated 20 September 2022, PwC was appointed by Great Wall International Investment XX Limited as the receiver of the Shares held by Triumph Hope Limited. During the course of the negotiation with the Creditors in relation to the Debt Restructuring, the Company had discussed with Great Wall International Investment XX Limited to understand whether Great Wall International XX Limited would participate in the Debt Restructuring, where (i) the Company did not receive any request on the immediate repayment of the Loan

from Ultimate Holding Company up to the date of this announcement; and (ii) Triumph Hope Limited, PwC and Great Wall International Investment XX Limited did not involve or have any role in the Settlement Agreement and the Debt Restructuring.

In addition, during the course of the negotiation with the Creditors in relation to the Debt Restructuring the Company also discussed with Forever Brilliance International Group Co., Limited and the remaining two holders of the corporate bonds (being Bond A and Bond B) in the aggregate principal amount of HK\$6 million issued by the Company to understand whether they would participate in the Debt Restructuring. The Company understands that, as at the date of this announcement, (i) despite the Statutory Demand issued by Sunshine Flame, as the corporate bonds (FB Bond) had yet to mature, Forever Brilliance International Group Co., Limited did not demand the immediate repayment of the corporate bonds (FB Bond); and (ii) the remaining two holders of the corporate bonds (being Bond A and Bond B) did not demand the immediate repayment of the respective corporate bonds. Forever Brilliance International Group Co., Limited and the remaining two holders of the corporate bonds (being Bond A and Bond B) did not involve or have any role in the Settlement Agreement and the Debt Restructuring.

Debt Restructuring

On 18 October 2024 (after trading hours), the Company entered into the Settlement Agreement with the Creditors, pursuant to which the Company has conditionally agreed to capitalise the Outstanding Debt owed to the Creditors by the Company, the Creditors has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$91,534,164 to the Creditors.

The Settlement Agreement

The principal terms of the Settlement Agreement are set out as follows:

Parties: Rosy Benefit, Sunshine Flame and Mr. Zheng

Issuer: The Company

Mr. Zheng is a Shareholder of the Company holding 40,000 Shares as at the date of this announcement. Save for the 40,000 Shares held by Mr. Zheng, each of Rosy Benefit and Sunshine Flame and their ultimate beneficial owners are Independent Third Parties.

Debt Restructuring

As at 15 October 2024, the Outstanding Debt was HK\$91,534,164. Pursuant to the Settlement Agreement, the Company will issue to the Creditors the Convertible Bonds in the aggregate principal amount of HK\$91,534,164 as full settlement of the respective promissory notes and the fulfilment of all obligations of the Company under the respective promissory notes. Accordingly, any interest accrued on the Outstanding Debt from 15 October 2024 up to the date of Completion will be considered as settled upon the issuance of the Convertible Bonds. In the event the Debt Restructuring does not materialise, the interest accrued on the Outstanding Debt from 15 October 2024 will remain as interest payable by the Company upon the respective maturity date of the Outstanding Debts.

The consideration of the Convertible Bonds shall be satisfied by way of capitalising the Outstanding Debt owed to the Creditors by the Company.

Conversion Shares

The 4,576,708,200 Conversion Shares under the Convertible Bonds will be allotted and issued under the Specific Mandate which is subject to Independent Shareholders' approval at the SGM.

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, the Conversion Shares, when allotted and issued, will represent (i) approximately 466.06% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 82.34% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares.

Conditions precedent to the Settlement Agreement

The Completion is conditional upon the satisfaction of the following conditions precedent:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares and such permission remain in full force and effect and has not been withdrawn;
- (ii) passing by the Independent Shareholders of the Company resolutions at the SGM approving (a) the Settlement Agreement and the transactions contemplated thereunder (more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll); (b) the Whitewash Waiver (at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code); and (c) the Special Deal;
- (iii) all necessary approvals, consents and/or waivers from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of (a) the Company (including (1) the Special Deal having been approved by the Executive; and (2) the consent from the Stock Exchange in respect of Rule 7.27B of the Listing Rules) and (b) the Creditors in respect of the Settlement Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and
- (iv) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Rosy Benefit, and the satisfaction of all conditions (if any) attached thereto; and
- (v) the Special Deal having been approved by the Executive.

All the above conditions precedent are not waivable. As at the date of this announcement, save for the approvals as detailed in all of the conditions above, no other consents, licenses and approvals are required to be obtained on the part of the Company and the Creditors in respect of the Debt Restructuring, the Settlement Agreement and transactions contemplated thereunder, the Specific Mandate and Whitewash Waiver. None of the conditions precedent above have been fulfilled as at the date of this announcement.

If the above conditions precedent are not satisfied by the Long Stop Date, the Settlement Agreement shall be automatically terminated with immediate effect.

Completion

Completion of the Debt Restructuring shall take place within seven Business Days after the date on which the last conditions precedent is satisfied, or at such other date, time and venue as the parties may agree in writing.

Principal terms of the Convertible Bonds

A summary of the principal terms of the Convertible Bonds is set out below.

Issuer:	The Company
Principal amount:	HK\$91,534,164
Maturity Date:	The second anniversary of the date of issue of the Convertible Bonds (i.e. date of Completion of the Settlement Agreement)
Interest rate:	3% per annum on the outstanding amount payable annually in arrears
Conversion Price:	The Conversion Price will initially be HK\$0.02 per Conversion Share.
Adjustment events:	<p>The initial Conversion Price is subject to customary adjustment upon occurrence of, among other things, any of the following events:</p> <ul style="list-style-type: none">(i) consolidation, subdivision or reclassification of Shares;(ii) capitalisation of profits or reserves;(iii) capital distribution;(iv) rights issue of Shares or options over Shares at a price which is less than 95% of the then market price of the Shares;(v) issue of securities convertible into or exchangeable for or carry rights of subscription for Shares at an effective consideration per Share less than 95% of the then market price of the Shares;(vi) any modification of the rights of conversion or exchange or subscription attaching to the securities in (v) above resulting in an effective consideration per Share being less than 95% of the then market price of the Shares; and(vii) issue of Shares at less than 95% of the then market price of the Shares.

Conversion Shares: The Conversion Shares shall be allotted and issued by the Company, credited as fully paid, with effect from the date on which conversion rights are validly exercised by the Bondholder(s), and the Bondholder shall be entitled to all dividends and other distributions on the record date which falls after the conversion date.

The Conversion Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Conversion Shares.

Conversion rights: Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall have the right to convert all or part of the Convertible Bonds held by such Bondholder(s) into Conversion Shares credited as fully paid at any time during the Conversion Period (as defined below) disregarding fractions and rounded down to the nearest whole number of Conversion Shares, by dividing the aggregate principal amount of the Convertible Bonds to be converted, by the applicable Conversion Price in effect on the relevant date of conversion.

The conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion would not result in the public float of the Shares falling below the minimum public float requirements under the Listing Rules or as required by the Stock Exchange immediately after such conversion.

Conversion Period: The period commencing from the date of issue of the Convertible Bonds and ending on the Maturity Date.

Early redemption at the option of the Company: At any time during the period commencing on the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Company may redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued.

Early redemption at the option of the Bondholder: At any time during the period commencing on the first anniversary of the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Bondholder shall have the right to request the Company, subject to the consent of the Company, to redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with all interest accrued.

Redemption on maturity:	Unless previously redeemed or converted, the Company shall redeem the Convertible Bonds on the Maturity Date at the redemption amount which shall equal to 100% of the principal amount thereof outstanding, together with interest accrued thereon (and not yet paid) up to (but excluding) the Maturity Date.
Transferability:	The Convertible Bonds may be transferred at any time, subject to compliance with all applicable regulatory requirements (if any), including the mandatory offer obligations under Rule 26 of the Takeovers Code.
Voting rights:	Bondholders will not be entitled to attend or vote at any general meetings of the Company by reason of being Bondholders.
Listing:	The Convertible Bonds are not and will not be listed on any stock exchange.

The Conversion Price

The Conversion Price of HK\$0.02 per Conversion Share represents:

- (i) a discount of approximately 73.33% to the closing price of HK\$0.0750 per Share as quoted on the Stock Exchange on the date of the Settlement Agreement;
- (ii) a discount of approximately 71.26% to the average closing price of approximately HK\$0.0696 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Settlement Agreement;
- (iii) a discount of approximately 81.79% to the audited consolidated net assets of approximately HK\$0.1098 per Share as at 31 December 2023, which is calculated based on the Group's audited consolidated net assets of the Company of approximately HK\$107,874,000 as at 31 December 2023 and 982,000,000 Shares in issue as at the date of this announcement;
- (iv) a discount of approximately 83.04% to the audited consolidated net assets of approximately of Company of approximately HK\$0.1179 per Share as at 30 June 2024, which is calculated based on the Group's unaudited consolidated net assets of the Company of approximately HK\$115,831,000 as at 30 June 2024 and 982,000,000 Shares in issue as at the date of this announcement; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 61.60% of the theoretical diluted price of HK\$0.0288 per Share to the benchmarked price of HK\$0.0696 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Settlement Agreement of HK\$0.0750 per Share and the average closing price of HK\$0.0696 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Settlement Agreement).

The Conversion Price was determined after arm's length negotiation between the Company and the Creditors after taking into account the upcoming maturity of the Outstanding Debts, the latest financial position of the Company and the factors as disclosed in the section headed "Reasons for and benefits for the Debt Restructuring" below.

The Directors (excluding the independent non-executive Directors who will provide their opinion after considering the advice from the Independent Financial Adviser) consider that the terms of the Settlement Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As the issuance of the Convertible Bonds would result in a theoretical dilution effect of approximately 61.06%, which is higher than the 25% threshold as set out in Rule 7.27B of the Listing Rules, the Company had submitted an application to the Exchange to seek the consent of the Stock Exchange in accordance with the Listing Rules. The Stock Exchange may or may not grant the consent in this regard. In the event the consent pursuant to Rule 7.27B is not being obtained from the Stock Exchange, the Debt Restructuring shall not proceed.

The Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

Listing Application

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 Conversion Shares on the Stock Exchange.

Information on the Group

The Company is a company incorporated in Bermuda with limited liability on 12 April 2011 and the Shares of which are listed on the main board of the Stock Exchange.

The Group is principally engaged in the provision of cross-border business supplying cosmetics, personal care and nutritional products between Hong Kong and the PRC since 2017, and expanded its cross-border business under the S2B2C model in 2021 and B2C model in 2022. The S2B2C model is to provide value-added service to e-commerce distributors and/or end consumers in the PRC by (i) securing a cross-border e-commerce platform that integrates overseas direct procurement, import and export supply chain management; and (ii) leasing of several bonded warehouses, which allow the Group to efficiently import cosmetics, personal care and nutritional products into the PRC while providing custom clearance, warehouse storage and logistics assistance to its customers. The Group operates several online stores on a number of reputable online e-commerce platforms in the PRC under the B2C model to directly advertise and offer its products to end consumers.

The following table sets out a summary of certain financial information of the Group.

	For the six months ended 30 June 2024	For the year ended 31 December	
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)	2022 <i>HK\$'000</i> (audited)
Revenue	329,077	761,781	327,721
Profit before income tax	9,510	25,367	16,420
Profit for the period/year	7,957	19,545	15,181
	As at 30 June 2024	As at 31 December	
	<i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (audited)	2022 <i>HK\$'000</i> (audited)
Assets			
— Inventories	2,770	25,712	26,991
— Trade and other receivables	473,623	355,905	301,781
— Bank balances and cash	12,224	24,335	8,188
Liabilities			
— Trade and other payables	214,137	187,335	92,783
— Loan from the ultimate holding company	50,000	50,000	50,000
— Bank and other borrowings	16,001	17,818	13,026
— Convertible bonds	—	—	42,525
— Corporate bonds	50,500	51,238	10,900
— Tax payables	10,621	8,082	6,299
— Promissory notes	39,318	33,755	35,379
Net assets	<u>115,831</u>	<u>107,874</u>	<u>90,259</u>

As illustrated above, despite the Company has been recording profit for the year ended 31 December 2023 and six months ended 30 June 2024, due to the recent downturn in the consumption environment in the PRC, the Company had no choice but to compromise in extending the credit period for its customers to a maximum of 180 days to settle their accounts receivables. As such, the Company had difficulties in maintaining its cash balance for its daily operation while repaying the liabilities of the Group.

Information on the Creditors

The Creditors consisted of Rosy Benefit, Sunshine Flame and Mr. Zheng.

Rosy Benefit is a company incorporated in the British Virgin Islands with limited liability principally engaged in investment holding. The ultimate beneficial owner of Rosy Benefit is Ms. Lin Ling, a PRC citizen. Ms. Lin is one of the founders of an online shopping platform in Suzhou. She was the chairlady of Guangzhou Zhoujian Information Technology Co. Limited, a private company incorporated in the PRC, and vice president of Tianxiang Construction Group Co. Limited, a private company incorporated in the PRC. Ms. Lin has extensive equity and debt investment in a number of companies. She is currently a director of the Guangdong Internet Association, vice chairman of Guangdong Hunan Chamber of Commerce and a consultant of Guangdong Zhejiang Youth Chamber of Commerce. Rosy Benefit and its ultimate beneficial owner do not hold any Shares as at the date of this announcement.

Sunshine Flame is a company incorporated in Hong Kong with limited liability principally engaged in investment holding. The sole and ultimate beneficial owner of Sunshine Flame is Mr. Xue Baozhong. Mr. Xue is currently an independent non-executive director of China Resources and Transportation Group Limited, a company with its shares listed on the Main Board of the Stock Exchange (stock code: 269). He was the chairman and general manager of Gansu Province Zhongbao Economic and Trade Co., Ltd., a private company incorporated in the PRC, and Shanghai Wanye Economic and Trade Co., Limited a private company incorporated in the PRC, for the periods from 1996 to 1998 and from 1999 to 2012, respectively. During the period from 2013 to June 2016, he was the vice president of Copower Enterprise Group Limited, a private company incorporated in Hong Kong. Sunshine Flame and its ultimate beneficial owner do not hold any Shares as at the date of this announcement.

Mr. Zheng is a PRC citizen who have extensive experience in the trading of building materials and financial investment in the PRC. He is the sole shareholder of Evermore Steel Industrial (Hong Kong) Limited, a company principally engaged in trading of building materials and invested in a number of listed companies in Hong Kong. Mr. Zheng is a Shareholder holding 40,000 Shares as at the date of this announcement.

Effect on the shareholding structure of the Company

The shareholding structure of the Company (i) as at the date of this announcement; (ii) assuming the conversion and issuance of the Conversion Shares to Rosy Benefit only in full; and (iii) assuming the conversion and issuance of the Conversion Shares to all of the Creditors in full at Completion (assuming no change to the number of issued Shares from the date of this announcement up to the date of the Completion) are as follows:

	As at the date of this announcement		Assuming the conversion and issuance of the Conversion Shares to Rosy Benefit only in full (Note 1)		Assuming the conversion and issuance of the Conversion Shares to all of the Creditors in full (Note 1)	
	Number of Shares	Approximate	Number of Shares	Approximate	Number of Shares	Approximate
		% of issued Shares		% of issued Shares		% of issued Shares
Rosy Benefit	—	—	2,562,500,000	72.29%	2,562,500,000	46.10%
Sunshine Flame Mr. Zheng	— 40,000	— 0.01%	— 40,000	— 0.01%	998,235,550 1,015,964,650	17.96% 18.28%
Creditors Concert Group	40,000	0.01%	2,562,540,000	72.30%	4,576,748,200	82.34%
Triumph Hope Limited (Note 2)	501,330,000	51.05%	501,330,000	14.15%	501,330,000	9.02%
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 3)	58,800,000	5.99%	58,800,000	1.66%	58,800,000	1.06%
Mr. Ke Xin Hai	57,000,000	5.80%	57,000,000	1.61%	57,000,000	1.03%
Other Shareholders	364,830,000	37.15%	364,830,000	10.29%	364,830,000	6.56%
Total	982,000,000	100.00%	3,544,500,000	100.00%	5,558,708,200	100.00%

Note:

- (1) As the conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion would not result in the public float of the Shares falling below the minimum public float requirements under the Listing Rules or as required by the Stock Exchange immediately after such conversion, the number of Conversion Shares to be allotted and issued in full are set out for illustrative purpose only.
- (2) Triumph Hope Limited is wholly-owned by Mr. Chan Chung Shu, an executive Director and chairman of the Board until 2 July 2019. As such, Mr. Chan Chung Shu is deemed to be interested in 501,330,000 shares of the Company held by Triumph Hope Limited. On 24 April 2018, Triumph Hope Limited had pledged 501,330,000 shares of the Company as security for a term loan facility provided to Triumph Hope Limited by Great Wall International Investment XX Limited which was wholly owned by China

Great Wall AMC (International) Holdings Company Limited which was, in turn, wholly-owned by China Great Wall Asset Management Co., Ltd, a state-owned enterprise in the PRC ultimately beneficially owned by the Ministry of Finance of the PRC. Based on the understanding of the Company, PwC, at the capacity as a receiver, would exercise the voting rights of the Shares held by Triumph Hope Limited.

- (3) Shanxi Coking Coal Group Company Limited, a state-owned enterprise in the PRC ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of Shanxi Provincial Government, is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.

As at the date of this announcement, none of the Directors had any interests or short positions in the Shares or other relevant securities of the Company.

Fund raising exercises in the past 12 months

The Company has not conducted any fund raising activities involving issue of its securities in the past 12 months immediately preceding the date of this announcement.

TAKEOVERS CODE IMPLICATIONS

Application for Whitewash Waiver

As at the date of this announcement, (i) Mr. Zheng, one of the Creditors, holds 40,000 Shares; and (ii) the remaining Creditors, being Rosy Benefit and Sunshine Flame, do not hold any Shares.

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, (1) upon full conversion of the Convertible Bonds at the initial Conversion Price, (i) 4,576,708,200 Conversion Shares (including the 2,562,500,000 Conversion Shares to be allotted and issued to Rosy Benefit) will be allotted and issued to the Creditors and the interest of the Creditors in the voting rights of the Company will increase to 82.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (ii) 2,562,500,000 Conversion Shares will be allotted and issued to Rosy Benefit and the interest of Rosy Benefit in the voting rights of the Company will increase to 46.10% of the issued share capital of the Company as enlarged by the allotment and issue of all of the 4,576,708,200 Conversion Shares in full; and (2) upon full conversion of the Convertible Bonds at the initial Conversion Price in full by Rosy Benefit only, 2,562,500,000 Conversion Shares will be allotted and issued to Rosy Benefit and (i) the interest of Rosy Benefit in the voting rights of the Company will increase to 72.29%; and (ii) the interest of the Creditors Concert Group in the voting rights of the Company will increase to 72.30% of the issued share capital of the Company as enlarged by the allotment and issue of the 2,562,500,000 Conversion Shares.

As such, Rosy Benefit will therefore be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted.

Rosy Benefit will apply to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Conversion Shares. The Whitewash Waiver, if granted by the Executive,

would be subject to (i) the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate and the Special Deal; and (ii) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll.

The Executive may or may not grant the Whitewash Waiver. The Debt Restructuring will not proceed if the Whitewash Waiver is not granted or approved.

None of the Creditors Concert Group had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing on the date falling six months prior to the date of this announcement and ending on the date of this announcement.

Special Deal in relation to repayment of shareholder's loan

As at the date of the Settlement Agreement and the date of this announcement, Mr. Zheng, being one of the Creditors, is a Shareholder holding 40,000 Shares, representing less than 0.01% of the issued Shares as at the date of this announcement. Based on the records of the Company, the Company is also indebted to Triumph Hope Limited, who holds 501,330,000 Shares as at the date of this announcement.

As the proposed settlement of the indebtedness due to Mr. Zheng under the Debt Restructuring was not extended to all other Shareholders such as Triumph Hope Limited, the proposed settlement of the indebtedness due to Mr. Zheng under the Debt Restructuring constituted a Special Deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Debt Restructuring are fair and reasonable; and (iii) approval by the Independent Shareholders at the SGM of the Special Deal.

An application will be made by the Company to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

In the event the consent to the Special Deal under Rule 25 of the Takeovers Code were not being obtained from the Executive or the Special Deal were not being duly approved by the Independent Shareholders in the SGM, the Debt Restructuring shall not proceed.

REASONS FOR AND BENEFITS OF THE DEBT RESTRUCTURING

Events leading to the demand of repayment from the Creditors

Reference is made to the background of the Outstanding Debt as disclosed in the section headed "Background of the Outstanding Debt" above.

As disclosed in the condensed consolidated statement of financial position in the interim report of the Company for the six months ended 30 June 2024, as at 30 June 2024, the Company had:

- (i) outstanding trade and other payables (including the Advance and interest payables) of approximately HK\$214.1 million;
- (ii) the principal amount of the Loan from Ultimate Holding Company of approximately HK\$50.0 million;
- (iii) bank and other borrowings of approximately HK\$16.0 million;
- (iv) promissory note of approximately HK\$39.3 million (including (1) the aggregate principal amount of HK\$39.0 million of all promissory notes issued to Sunshine Flame and Mr. Zheng, being SF PN1, SF PN2, Zheng PN1, Zheng PN2 and Zheng PN3; and (2) imputed interest of such promissory notes in the aggregate amount of HK\$0.3 million as determined based on the relevant accounting standard);
- (v) corporate bonds of approximately HK\$50.5 million (including (1) the FB Bond in the principal amount of HK\$39.0 million; (2) the Bond A in the principal amount of HK\$3.0 million; (3) Bond B in the principal amount of HK\$3.0 million; and (4) imputed interest of such corporate bonds in the aggregate amount of HK\$5.5 million as determined based on the relevant accounting standard); and
- (vi) bank balances and cash amounted to approximately HK\$12.2 million.

In view of (i) the financial position and the low cash balance of the Company as at 30 June 2024; and (ii) there was no sign that the Company may be able to settle their respective Outstanding Debt despite the Creditors had agreed to extend the maturity date of certain promissory notes throughout 2025 as disclosed above, the Creditors have lost the confidence on the repayment capability of the Company.

Statutory demand received by the Company

Reference is made to the announcements of the Company dated 17 September, 10 and 14 October 2024. On 10 October 2024, the Company received the Statutory Demand issued by Mr. Zheng demanding the immediate repayment of an outstanding sum of approximately HK\$20.3 million, being part of the Outstanding Debt. On 14 October 2024, the Company further received a demand letter from Sunshine Flame, stating the receipt of the Statutory Demand by the Company had constituted an event of default of the promissory note issued by the Company held by it, and therefore demanding the immediate repayment of an outstanding sum of approximately HK\$9.2 million, being part of the Outstanding Debt.

Negotiation with the Creditors

Based on the financial position of the Company, the Directors are of the view that the Company may not be able repay the amount as demanded in the Statutory Demand and the Outstanding Debt. Rosy Benefit enquired with the Company on whether the Company may settle their respective Outstanding Debt. As such, the Group commenced negotiation with the Creditors in exploring the settlement of the Outstanding Debt.

As disclosed in the section headed “Background of the Outstanding Debt” above, during the suspension of trading of the Shares from 4 November 2021 to 26 June 2023, Rosy Benefit had continued to provide financial support to the Company for business development and daily operation of the Group by way of the Advance. No interest was recognised in respect of the Advance. The outstanding balance of the Advance was HK\$39,780,000 as at 12 October 2024. Upon the receipt of the Statutory Demand as publicly disclosed in the announcement of the Company on 10 October 2024, Rosy Benefit demanded the immediate repayment of the Advance in the amount of HK\$39,780,000. In view of the limited financial resources, the Company, at its best endeavor, negotiated with Rosy Benefit. On 12 October 2024, the Company reached the agreement with Rosy Benefit that (i) an interest in the amount of HK\$11,470,000 (rounded down from HK\$11,477,003) have been accrued retrospectively on the outstanding Advance at an interest rate of ranging from 8% to 16% per annum for the period from 12 August 2021 to 12 October 2024; (ii) the Company shall issue a promissory note in the principal amount of HK\$51,250,000 (representing (1) the outstanding balance of the Advance of HK\$39,780,000 as at 12 October 2024 plus (2) the interest accrued retrospectively in the amount of HK\$11,470,000) which carries an interest of 3% per annum to Rosy Benefit to settle the Advance.

Despite the Company recorded satisfactory financial performance since 2022, the Company had difficulties in improving its cashflow while continuing the development of its business. Based on the latest financial position of the Company, it is highly likely that the Company could not settle the Outstanding Debt by their maturity dates in 2025.

While negotiating with the Creditors, the Directors had considered other alternative financing methods to settle the Outstanding Debt. For debt financing, having considered the lack of security for arranging any possible debt financing, the Directors considered the Group is not in a feasible position to obtain further debt financing from financial institutions for settlement of the Outstanding Debt. The current relatively high-interest rate environment in the debt market will also increase the interest burden of the Group.

In respect of equity fund raising, given the substantial amount of the Outstanding Debt, the uncertain sentiment of the stock market and uncertain economic environment, it is difficult to procure an underwriter for rights issue or placing or a placing agent for share placement with reasonable underwriting fee, or able to raise sufficient funding for the settlement of the Outstanding Debt. Although the allotment and issue of the Conversion Shares will have a dilution effect on the shareholding interest of the existing Shareholders, having considered (i) the capitalisation of the Outstanding Debt can discharge the settlement obligations of the Outstanding Debt; and (ii) the Conversion Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will enlarge the capital base, and accordingly, strengthen the financial position of the Group.

The Debt Restructuring

Comparing to debt financing, the Debt Restructuring would allow the Company in avoiding further finance cost. As such, among the possible alternatives available to the Company, the Company considers that the Debt Restructuring is an appropriate and cost-effective method to the Company. Accordingly, the Directors (excluding the independent non-executive Directors who will provide their opinion after considering the advice from the Independent

Financial Adviser) are of the view that it is in the interests of the Company and the Shareholders as a whole to preserve as much liquidity as possible in order to maintain the Group's financial and liquidity position for its business operation and development.

As such, in order to avoid in the risk of the Creditors filing winding-up petitions against the Company, the Company considers that the Debt Restructuring offers the Group with a valuable chance of reaching a full settlement of the Outstanding Debt without utilizing existing financial resources of the Company and exerting pressure on the cashflow position of the Group.

Conclusion

In view of the above, the Directors (excluding the independent non-executive Directors who will provide their opinion after considering the advice of the Independent Financial Adviser) consider that the terms of the Settlement Agreement and the Debt Restructuring are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

FUTURE INTENTIONS REGARDING THE GROUP

Rosy Benefit considers and confirms that (a) it is intended that the Group will continue its existing business following the Completion; and (b) there is no intention to (i) introduce any major changes to the existing business of the Group; (ii) discontinue the employment of any of the Group's employees; and (iii) redeploy the fixed assets of the Group other than in its ordinary course of business.

DEALING AND INTEREST IN THE COMPANY'S SECURITIES

Save for the Convertible Bonds to be issued by the Company to the Creditors pursuant to the Settlement Agreement, the Creditors Concert Group had not dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period immediately prior to the date of this announcement and up to and including the date of this announcement.

As at the date of this announcement:

- (i) save for the Convertible Bonds to be issued by the Company to the Creditors pursuant to the Settlement Agreement, the Creditors Concert Group do not own, hold, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (ii) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Creditors Concert Group;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the each of the Creditors Concert Group (if applicable) or the Shares and which might be material to the transactions contemplated under the Debt Restructuring, Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and/or the Whitewash Waiver;

- (iv) there is no irrevocable commitment received by the Creditors Concert Group to vote for or against the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and/or the Whitewash Waiver;
- (v) there is no agreement or arrangement to which the Creditors Concert Group, is a party which relates to circumstances in which the Creditors may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Debt Restructuring, Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and/or the Whitewash Waiver;
- (vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any members of the Creditors Concert Group has borrowed or lent;
- (vii) there is no consideration, compensation or benefits in whatever form provided or to be provided by any members of the Creditors Concert Group to the Company and parties acting in concert with any of it;
- (viii) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Creditors Concert Group on the one hand, and the Company and any parties acting in concert with any of it on the other hand; and
- (ix) save for Special Deal of the repayment of the indebtedness due to Mr. Zheng under the Debt Restructuring, there is no understanding, arrangement, agreement which constitute special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Creditors Concert Group; or (b) the Company, its subsidiaries and associated companies.

As at the date of this announcement, the Company does not believe that the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver do not comply with other applicable rules and regulations.

GENERAL

The Conversion Shares will be allotted and issued under the Specific Mandate and subject to the Shareholders' approval at the SGM.

Save for Mr. Zheng who holds 40,000 Shares as at the date of this announcement, no other Shareholders and their respective close associates are interested in and/or involved in the Debt Restructuring, the Settlement Agreement, allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver. Save for Mr.

Zheng, no other Shareholders will be required to abstain from voting on the relevant resolutions to approve the Debt Restructuring, the Settlement Agreement, the allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal 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 Conversion Shares on the Stock Exchange.

Establishment of Independent Board Committee

The Independent Board Committee comprising Mr. Sin Ka Man, Ms. Liang Lina and Mr. Chen Yifan (being all the independent non-executive Directors) has been established by the Company under the Listing Rules and Takeovers Code to advise the Independent Shareholders on the Debt Restructuring and the Specific Mandate, the Special Deal and the Whitewash Waiver.

Appointment of Independent Financial Adviser

The Company will appoint the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee and Independent Shareholders on the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver. A further announcement will be made after the Independent Financial Adviser has been appointed.

The SGM

The SGM will be convened for the purpose of considering, and if thought fit, approving the Debt Restructuring, the Settlement Agreement, the allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver.

A circular containing, among other things (i) further details of the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver; and (ii) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 12 February 2025.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 21 October 2024 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on 9 January 2025 on the Stock Exchange.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong, the PRC and Cayman Islands, except a Sunday, a Saturday, a public holiday, and a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong, the PRC and Cayman Islands at any time between 9:00 a.m. and 5:00 p.m.
“Company”	Momentum Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1152)
“Completion”	completion of the Debt Restructuring in accordance with the terms and conditions of the Settlement Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bond(s)”	the 3% unsecured convertible bonds in the aggregate principal amount of HK\$91,534,164 to be issued by the Company to the Creditors pursuant to the Settlement Agreement
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and ending on the Maturity Date
“Conversion Price”	HK\$0.02 per Conversion Share, subject to adjustments set forth under the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the new Shares to be allotted and issued by the Company upon the exercise of the conversion rights under the Convertible Bonds
“Creditors”	Rosy Benefit, Sunshine Flame and Mr. Zheng, being the creditors under the Settlement Agreement

“Creditors Concert Group”	the Creditors, their respective ultimate beneficial owner and parties acting in concert with any of them
“Debt Restructuring”	the capitalisation of the Outstanding Debt owed by the Company to the Creditors and the issuance of the Convertible Bonds by the Company to the Creditors pursuant to the Settlement Agreement
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Sin Ka Man, Ms. Liang Lina and Mr. Chen Yifan, established to advise the Independent Shareholders on the Debt Restructuring, the Settlement Agreement and transactions contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders on the Debt Restructuring, the Settlement Agreement and the transaction contemplated thereunder, the relevant Specific Mandate, the Special Deal and the Whitewash Waiver
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which are third parties independent of and not connected with the Company and its connected persons
“Independent Shareholders”	Shareholders other than Rosy Benefit and its ultimate beneficial owner, Sunshine Flame and its ultimate beneficial owner, Mr. Zheng and their respective concert parties and the Shareholders who are interested in or involved in the Debt Restructuring, the Settlement Agreement, the Specific Mandate, the Special Deal and/or the Whitewash Waiver
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	28 February 2025 (or such other date as the Creditors and the Company may agree in writing (as the case may be))
“Maturity Date”	the maturity date of the Convertible Bonds, being the second anniversary of the date of issue of the Convertible Bonds
“Mr. Zheng”	Mr. Zheng Lizhong, a Shareholder which holds 40,000 Shares as at the date of this announcement and one of the Creditors
“Outstanding Debt”	HK\$91,534,164, being the aggregate amount of indebtedness owed by the Company to the Creditors as at 15 October 2024
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rosy Benefit”	Rosy Benefit Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately beneficially owned by Ms. Lin Ling, and one of the Creditors
“Settlement Agreement”	the Settlement Agreement dated 18 October 2024 (supplemented by a supplemental agreement dated 31 December 2024) entered into between the Company and the Creditors in relation to the Debt Restructuring
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the extraordinary general meeting of the Company to be held to approve, inter alia, (i) the Debt Restructuring, the Settlement Agreement and the transactions contemplated thereunder and the Specific Mandate; (ii) the Special Deal; and (iii) the Whitewash Waiver
“Share(s)”	the ordinary share(s) of HK\$0.005 each in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Special Deal”	the repayment of the indebtedness due to Mr. Zheng, being one of the Creditors and a Shareholder holding 40,000 Shares as at the date of this announcement, under the Debt Restructuring

“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the Conversion Shares
“Statutory Demand”	the statutory demand dated 10 October 2024 issued by Mr. Zheng against the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunshine Flame”	Sunshine Flame Development Limited, a company incorporated in Hong Kong with limited liability, which is ultimately beneficially owned by Mr. Xuewa Baozhong, and one of the Creditors
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Whitewash Waiver”	the waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Rosy Benefit to make a mandatory general offer to the Shareholders in respect of all issued Shares not already owned or agreed to be acquired by Rosy Benefit and its concert parties which may be triggered upon the conversion of the Convertible Bonds in full by Rosy Benefit, or upon the conversion of the Convertible Bonds in full by all of the Creditors
“%”	per cent

By Order of the Board
Momentum Financial Holdings Limited
Zhang Rujie
Executive Director

Hong Kong, 8 January 2025

As at the date of this announcement, the Board comprises one executive Director, Mr. Zhang Rujie and three independent non-executive Directors, namely, Mr. Sin Ka Man, Ms. Liang Lina and Mr. Chen Yifan.

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

The English text of this announcement shall prevail over its Chinese text.