

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Twintek Investment Holdings Limited

乙德投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6182)

CONNECTED AND DISCLOSEABLE TRANSACTION RELATING TO ACQUISITION OF A PROPERTY HOLDING COMPANY

POSSIBLE CHANGE IN USE OF PROCEEDS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders for the connected transaction**



THE ACQUISITION

On 27 August 2020 (after trading hours), the Purchaser (being a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the Sale Shares at a consideration of HK\$32,300,000. The Sale Shares represent the entire issued share capital of the Target Company, which holds the Property currently used as office, workshop and warehouse by the Group in Hong Kong.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is directly and beneficially owned as to 50% by Mr. Lo and as to 50% by Ms. Fung. Mr. Lo and Ms. Fung are executive Directors and the Controlling Shareholders of the Company. They, through Helios, indirectly own 73.5% of the total issued share capital the Company. They are connected persons of the Company and the Acquisition therefore constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules. An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Acquisition.

A circular of the Company, containing, amongst other things, (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee in respect of the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the valuation report to be issued by the Independent Valuer relating to the Property; and (v) the notice of EGM and the form of proxy, is expected be despatched to the Shareholders in accordance with the Listing Rules on or before 30 September 2020.

Shareholders and potential investors should note that the Acquisition is subject to the satisfaction of certain conditions and accordingly, the Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

On 27 August 2020 (after trading hours), the Purchaser (being a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to purchase the Sale Shares and the Vendors have agreed to sell the Sale Shares at a consideration of HK\$32,300,000.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date

27 August 2020

Parties to the Sale and Purchase Agreement

Purchaser: Fortuna Enterprise Holding Limited, a direct wholly-owned subsidiary of the Company

Vendors: Mr. Lo and Ms. Fung, each of whom directly holds 50% of the total issued shares of the Target Company

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, being the entire issued share capital of the Target Company. The main asset of the Target Company is the Property which is located at Unit 806, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong and currently used as office, workshop and warehouse by the Group in Hong Kong. As at the date of this announcement, the Target Company owed the Mortgage Loan granted by an independent financial institution which is intended to be repaid in full at Completion.

Consideration

The consideration for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement is HK\$32,300,000, which shall be adjusted downward by a sum equivalent to the total of (i) loan principal instalment repayment and (ii) accrued interests payment made by the Target Company in connection with the Mortgage Loan after the signing of the Sale and Purchase Agreement and up to the date of the Completion. As at the date of this announcement, the outstanding principal amount of the Mortgage Loan amounted to approximately HK\$8,625,000. The total monthly payment made by the Target Company in connection with the Mortgage Loan (including loan principal instalment repayment and interests payment) is approximately HK\$48,000.

The consideration (after adjustment) (the “**Adjusted Consideration**”) shall be paid and satisfied by the Purchaser in cash by instalments as below:

- (i) At Completion, 60% of the Adjusted Consideration shall be payable in the following manner:
 - (a) such subsisting amount due in connection with the Mortgage Loan as of the date of the Completion shall be payable to the independent financial institution which granted the Mortgage Loan for the release thereof (the “**Mortgage Release Amount**”); and
 - (b) such remaining amount after deducting the Mortgage Release Amount shall be payable to the Vendors.
- (ii) Within 2 months after Completion, 40% of the Adjusted Consideration shall be payable to the Vendors.

Conditions Precedent

Completion is conditional upon the fulfilment or, where permitted, the waiver of the following conditions:

- (i) the Independent Shareholders having approved the Acquisition and the transactions contemplated thereunder the Sale and Purchase Agreement;
- (ii) the Purchaser having completed and satisfied with the results of due diligence on the Target Company (including but not limited to its financial condition) and the Property;
- (iii) the Vendors having proved that it has good title to the Sale Shares free from all encumbrances;
- (iv) the good title of the Property having been proved;
- (v) all necessary consents, waivers and authorization required for the purposes of the transactions contemplated under the Sale and Purchase Agreement under any existing contractual arrangements or relevant documentation having been obtained;
- (vi) all authorizations, consents and approvals of relevant governmental or regulatory authorities which the Purchaser reasonably considers necessary or required for the purposes of the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (vii) the Purchaser being satisfied that the representations, warranties and undertaking given by the Vendors under the Sale and Purchase Agreement shall remain true and accurate up to the date of the Completion and not misleading in any respect;

- (viii) the Purchaser being satisfied that the Vendors shall have duly complied with and perform all terms and conditions of the Sale and Purchase Agreement in all respects on or before Completion; and
- (ix) such other documentary evidence as the Purchaser may reasonably require for proof of the due and complete fulfilment of the conditions.

The conditions set out in paragraphs (i) and (v) above cannot be waived by any parties. The Purchaser may at its discretion waive any of the conditions set out in paragraphs (ii) to (iv) and (vi) to (ix). If any of the conditions set out above has not been satisfied or waived, by the day falling 6 months after the date of the Sale and Purchase Agreement (or such other date as the parties may agree in writing), the Purchaser may terminate the Sale and Purchase Agreement in which case obligations of parties in relation to Completion shall cease.

Indemnity

The Vendors agreed to indemnify the Purchaser against any costs, expenses and losses which the Purchaser may suffer from breach of obligations, responsibilities, warranties or undertakings on part of the Vendors under the Sale and Purchase Agreement and against any liabilities in relation to taxation of the Target Company incurred prior to the Completion.

Completion

Completion shall take place on the next business day following the date on which all the conditions to the Completion are fulfilled, or if permitted, waived (or such other date and time as the parties to the Sale and Purchase Agreement may agree in writing).

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is an investment holding company which holds the Property. The Property is at Unit 806, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong with a gross floor area of approximately 3,567 square feet. The indicative market value of the Property as at 31 July 2020 appraised by the Independent Valuer is approximately HK\$32,300,000.

Since 2007, the Group has been leasing the Property from the Target Company for use as the Group's office, workshop and warehouse in Hong Kong. The prevailing annual rental paid by the Group to the Target Company amounted to HK\$936,000.

Set out below is the financial information of the Target Company extracted from its audited financial statements prepared in accordance with SME-FRS for the years ended 31 March 2019 and 2020 respectively:

	For the year ended	
	31 March	
	2019	2020
	(audited)	(audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total revenue	936	936
Net loss before taxation	2,384	591
Net loss after taxation	2,423	630

The Target Company, being a private company incorporated in Hong Kong, is qualified to prepare its audited financial statements in accordance with SME-FRS under the Companies Ordinance. In accordance with SME-FRS, the Property was classified as property, plant and equipment which was carried at its cost less accumulated depreciation and any accumulated impairment losses in the audited financial statements of the Target Company. Based on the audited financial statements of the Target Company, its audited total asset value and the net liability as at 31 March 2020 as reported in accordance with SME-FRS were approximately HK\$6,489,000 and approximately HK\$2,367,000 respectively. If HKFRS were adopted, the Property would be recognised as investment property of which the value stated in the financial statements would be carried at its fair value. The total asset value and the net asset value of the Target Company as shown in its management account as at 31 July 2020 prepared in accordance with HKFRS were approximately HK\$32,441,000 and approximately HK\$18,442,000 respectively. The liabilities of the Target Company as at 31 July 2020 mainly comprised the Mortgage Loan, and deferred tax liability arising from fair value appreciation gain of the Property recognised solely for compliance with relevant accounting principles under HKFRS. The Property was acquired by the Target Company in 2006 at approximately HK\$7,134,000.

BASIS OF CONSIDERATION, FINANCING OF PAYMENT BY THE GROUP AND POSSIBLE CHANGE IN USE OF PROCEEDS

The consideration of HK\$32,300,000 was determined after arm's length negotiations between the parties involved in the Acquisition after taking into account relevant factors, including (i) the indicative market value of the Property of approximately HK\$32,300,000 as at 31 July 2020 appraised by the Independent Valuer; (ii) the assets and liabilities of the Target Company as shown in its management account as at 31 July 2020 prepared in accordance with the HKFRS and (iii) the transaction price for sale and purchase of comparable properties in proximate area.

The Acquisition is proposed to be financed by the Net Proceeds raised from the Listing of the Company in January 2018 which has been allocated for acquisition of a property as disclosed in the Prospectus. Such planned use of Net Proceeds was disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Reference is also made to the announcement of the Company dated 10 August 2020 in which it was disclosed that the unutilised Net Proceeds as of the said date amounted to approximately HK\$36.8 million, representing approximately 38.2% of the Net Proceeds. The status of such utilisation remains unchanged as at the date of this announcement. Out of such unutilised Net Proceeds, approximately HK\$29.9 million, representing approximately 31.0% of the Net Proceeds, has been planned for acquiring a property as warehouse, workshop and showroom of the Group as so disclosed in the Prospectus. Subject to the approval of the Acquisition by the Independent Shareholders at the EGM, the said Net Proceeds of approximately HK\$29.9 million will be applied to finance the Acquisition. Since the Property currently in use has already been renovated and the information technology and project management systems there have already been upgraded in February 2018 and they are still in good condition, it is considered that refurbishment of offices and upgrading of the information technology and project management systems are no longer necessary. Therefore, if the Acquisition is approved by the Independent Shareholders at the EGM, the remaining consideration of approximately HK\$2,400,000 (i.e. HK\$32,300,000 — HK\$29,900,000) is proposed to be financed by the Net Proceeds originally allocated for refurbishment of the offices (approximately HK\$1.2 million) and upgrading the information technology and project management systems (approximately HK\$1.2 million). The remaining unutilised Net Proceeds of approximately HK\$1.6 million originally allocated for upgrading information technology and project management systems will be, after the Independent Shareholders

having approved the Acquisition at the EGM, re-allocated for expanding capacity to undertake more projects by the Group. As a result of such proposed re-allocation, the Net Proceeds are intended to be used in the following manner:

Planned use of Net Proceeds (as disclosed in the Prospectus)	Application of Net Proceeds	Utilised Net	Unutilised Net	Possible change in use of Net Proceeds
	pursuant to allocation disclosed in the Prospectus <i>HK\$ million</i>	Proceeds up to the date of this announcement <i>HK\$ million</i>	Proceeds up to the date of this announcement <i>HK\$ million</i>	
Acquiring a property as a warehouse, workshop and showroom	29.9	—	29.9	32.3
Repayment of bank borrowings	27.8	27.8	—	—
Expanding capacity to undertake more projects	14.0	14.0	—	1.6
Expanding and strengthening the manpower	7.4	4.5	2.9	2.9
Refurbishment of the offices	5.1	3.9	1.2	—
Upgrading the information technology and project management systems	2.8	—	2.8	—
General working capital	9.4	9.4	—	—
Total	96.4	59.6	36.8	36.8

The property planned to be acquired, as disclosed in the Prospectus, aimed to enhance operation capacity of the Group to cope with the then expected growing demand in the building materials industry and allow the Group to keep building materials to meet ad hoc and/or urgent needs from customers. The Group is a building materials contractor providing building materials and the relevant installation services mainly in Hong Kong. Since the Listing of the Company in January 2018, it has been striving to develop and expand its business by undertaking more projects and strengthening the manpower. The construction market in Hong Kong has however been largely and inevitably influenced by macroeconomic conditions since around late 2018. The global economy has become increasingly fragile and uncertain following the escalation of the business tensions around the world. The outbreak of the COVID-19 pandemic in early 2020 has further devastated

the business environment leading to historic economic downturn in Hong Kong. Amid the challenging market conditions, the Company adopts and maintains a prudent approach in its operation scale expansion.

As disclosed in the annual report of the Company in respect of year ended 31 March 2020, the Group had considered potential acquisition of certain properties which would be financed by the Net Proceeds but yet to identify suitable target during the relevant financial year. The Group has actually been closely monitoring the property market and identifying suitable acquisition target after the Listing. While Hong Kong, as an open economy, is facing challenges under macroeconomic conditions, the property market in Hong Kong has hit record high over the years. It is believed that the recent plunge in the property market represents an opportunity for the Group to make the acquisition. It is further believed that the proposed acquisition of the Property currently occupied by the Group instead of another new property would synchronize with the Group's business strategy under the prevailing market in adopting prudent approach in its operation scale expansion. Moreover, the Property is in close proximity to a self-owned property and another leased property of the Group which are located next to the Property on the same floor of the building and used as office, showroom and warehouse under the management of the Group. The proposed Acquisition enables the Group to achieve optimal efficiency in its operation.

The proposed usage of the Net Proceeds for the Acquisition would also be in line with planned use of the Net Proceeds allocated for acquisition of property as disclosed in the Prospectus. As to the proposed re-allocated use of the Net Proceeds shown in the table above, the Board has considered that such re-allocation will not have any material adverse impact on the business and operations of the Group. In particular, the re-allocation of approximately HK\$1.6 million for project undertaking by the Group is believed to enable the Group to capture business opportunity which further generates revenue to the Group. The Net Proceeds will be applied as proposed in the table above after the Independent Shareholders having considered and, if thought fit, approved, the Acquisition at the EGM.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is believed the recent shrinking property market in Hong Kong offers an opportunity for property acquisition by the Group which has been long planned and as so disclosed in the Prospectus. The Group has been endeavouring to identify suitable acquisition target amid the shrinking property market and considering prospective terms and conditions under potential acquisitions during the process. The payment terms for the consideration under the Acquisition, including no deposit payable by the Group prior to Completion and the consideration only be fully settled by the Group within 2 months after Completion represent transaction terms which are more favourable than those offered by other Independent Third Parties and thereby enabling the Group to apply its financial resources in a more flexible way.

It is also believed that purchase of the Property which is currently occupied by the Group can minimize the Group's overall operation and rental costs in long run and enhance its operational efficiency and stability. As illustrated in the Prospectus, purchase of a property is believed to be more beneficial in long run in a such way that estimated depreciation charges related to owned property would be lower than the estimated costs of leasing.

In addition, acquiring the Target Company can strengthen the Group's asset base which can enable the Group to obtain more preferential terms from banks for financing arrangements for its operation where necessary.

The Directors (excluding the members of the Independent Board Committee who will form their opinion after considering the advice from the Independent Financial Adviser in respect of the Acquisition) are of the view that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the proposed Acquisition are in the interests of the Company and the Shareholders as a whole. Both Mr. Lo and Ms. Fung have expressed their view at the meeting of the Board while they have abstained from voting in respect of the resolutions considered at the meeting of the Board.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is directly and beneficially owned as to 50% by Mr. Lo and as to 50% by Ms. Fung. Mr. Lo and Ms. Fung are executive Directors and the Controlling Shareholders of the Company. They, through Helios, indirectly own 73.5% of the total issued share capital the Company. They are connected persons of the Company and the Acquisition therefore constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules.

Accordingly, the Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Acquisition. The votes in the EGM will be taken by poll, the results of which will be announced after the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, in view of the interest of the Vendors in the Sale and Purchase Agreement and the transactions contemplated thereunder, the Vendors and their associates, including Helios are required to abstain from voting at the EGM.

The Independent Board Committee comprising all independent non-executive Directors of the Company has been established to advise the Company's Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Alpha Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Company's Independent Shareholders in the same regard.

A circular of the Company, containing, amongst other things, (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee in respect of the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the valuation report to be issued by the Independent Valuer relating to the Property; and (v) the notice of EGM and the form of proxy, is expected to be despatched to the Shareholders in accordance with the Listing Rules on or before 30 September 2020.

Shareholders and potential investors should note that the Acquisition is subject to the satisfaction of certain conditions and accordingly, the Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the Target Company by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended or supplemented from time to time
“Company”	Twintek Investment Holdings Limited (乙德投資控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Acquisition
“Group”	the Company and its subsidiaries
“Helios”	Helios Enterprise Holding Limited, a company incorporated in the British Virgin Islands with limited liability and being directly held as to 70% by Mr. Lo and 30% by Ms. Fung. Helios in turn directly owns 73.5% of the total issued share capital the Company as at the date of this announcement
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	Alpha Financial Group Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition
“Independent Shareholders”	Shareholders who are not interested or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Independent Valuer”	Jones Lang LaSalle Limited, the independent valuer appointed by the Company for the purpose of the valuation of the Property
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange commenced from 17 January 2018

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage Loan”	the mortgage loan owed by the Target Company to an independent financial institution in respect of the Property
“Mr. Lo”	Mr. Lo Wing Cheung, an executive Director, the chairman of the Board, the chief executive officer, a Controlling Shareholder of the Company and the spouse of Ms. Fung
“Ms. Fung”	Ms. Fung Pik Mei, an executive Director, a Controlling Shareholder of the Company and the spouse of Mr. Lo
“Net Proceeds”	the net proceeds raised from the Listing by the Company
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Property”	Unit 806, Eastern Centre, 1065 King’s Road, Quarry Bay, Hong Kong, comprising a gross floor area of approximately 3,567 square feet
“Prospectus”	the prospectus of the Company dated 29 December 2017 relating to its Listing
“Purchaser”	Fortuna Enterprise Holding Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 27 August 2020 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Sale Shares”	the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SME-FRS”	the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

“Target Company”	Sun Warm Holding Company Limited (新旺控股有限公司), a company incorporated in Hong Kong with limited liability on 3 December 2003
“Vendors”	Mr. Lo and Ms. Fung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Twintek Investment Holdings Limited
Lo Wing Cheung
Chairman and executive Director

Hong Kong, 27 August 2020

As at the date of this announcement, the executive Directors are Mr. Lo Wing Cheung (Chairman) and Ms. Fung Pik Mei, the non-executive Director is Mr. Wan Ho Yin, and the independent non-executive Directors are Mr. Shu Wa Tung Laurence, Mr. Tam Wai Tak Victor and Mr. Tam Wing Lok.