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GREEN LEADER HOLDINGS GROUP LIMITED

綠領控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 61)

**CONNECTED TRANSACTIONS
IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE**

PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

On 22 July 2020 (after trading hours), the Company entered into the conditional Subscription Agreements with the respective Subscribers, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes.

On the assumption that the Convertible Notes would be converted into Conversion Shares in full at the initial Conversion Price, 1,795,454,545 Conversion Shares will be issued, representing approximately 341.17% of the existing issued share capital of the Company and approximately 77.33% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares. The aggregate subscription price of HK\$395,000,000 will be set off by the Existing Convertible Notes held by the Subscribers respectively which shall fall due on 29 July 2020.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China OEPC is a substantial Shareholder holding 1,885,859,226 Shares, represents approximately 17.92% of the issued share capital of the Company, which in turn is indirectly wholly-owned by Mr. Zhang, an executive Director, and Ms. Hao is the spouse of Mr. Zhang and therefore an associate of Mr. Zhang. As such, each of China OEPC and Ms. Hao is a connected person of the Company. Accordingly, the Subscriptions constitute connected transactions of the Company under the Listing Rules and are subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment of the conditions precedent set out in the Subscription Agreements. Each of the Subscriptions may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

SUBSCRIPTION AGREEMENTS

On 22 July 2020 (after trading hours), the Company entered into the two conditional Subscription Agreements with each of the Subscribers, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes.

Date

22 July 2020

Parties

- (i) The Company as issuer;
- (ii) China OEPC, being one of the Subscribers; and
- (iii) Ms. Hao, being the other Subscriber.

China OEPC, being one of the Subscribers, is a company incorporated in the British Virgin Islands with limited liability indirectly wholly-owned by Mr. Zhang. As at the date of this announcement, China OEPC is a substantial Shareholder holding 1,885,859,226 Shares, representing approximately 17.92% of the issued share capital of the Company. China OEPC also holds the Existing Convertible Notes in the outstanding principal amount of HK\$380,000,000 which shall fall due on 29 July 2020. Accordingly, China OEPC is a connected person of the Company.

Ms. Hao, being one of the Subscribers, is the spouse of Mr. Zhang. Accordingly, Ms. Hao is a connected person of the Company. As at the date of this announcement, Ms. Hao holds the Existing Convertible Notes in the outstanding principal amount of HK\$15,000,000 which shall fall due on 29 July 2020.

Subject matter

Subject to fulfilment of the conditions precedent to the Subscriptions as set out below, each of China OEPC and Ms. Hao shall subscribe for the Convertible Notes in principal amount of HK\$380,000,000 and HK\$15,000,000 respectively under the respective Subscription Agreements and the said amounts shall be satisfied by setting off against the amounts due by the Company to the Subscribers under the respective Existing Convertible Notes held by China OEPC and Ms. Hao in the outstanding principal amount of HK\$380,000,000 and HK\$15,000,000 respectively.

Save for the identity of the Subscribers and the amount of Convertibles Notes to be subscribed, the other terms of both Subscription Agreements are identical.

Conditions precedent to the Subscriptions

The Subscriptions are conditional upon:

- (i) the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (ii) the Independent Shareholders passing the necessary resolution(s) at the SGM to approve the Subscription Agreements and the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares;
- (iii) the Company having obtained, as the case may be, any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the Subscription Agreements;

- (iv) all necessary consents and approvals required to be obtained by the Subscribers in respect of the Subscription Agreements and the transactions contemplated thereby, including but not limited to the Subscriptions, having been obtained; and
- (v) the Share Consolidation having become effective.

In the event that the conditions of the Subscription are not fulfilled by 5:00 p.m. on or before 11 September 2020 or such other time and date as may be agreed between the parties to the Subscription Agreements, the Subscription Agreements shall cease and determine and neither the Company nor the Subscribers shall have any claim against the other save for any antecedent breaches of the terms thereof.

For the avoidance of doubt, the Subscription Agreements are not inter-conditional upon each other.

Completion

Completion shall take place on the third business days after the conditions of the Subscriptions are fulfilled (or such other date as may be agreed between the respective parties).

Principal terms of the Convertible Notes

Issuer: The Company

Principal amount: HK\$395,000,000 in aggregate of which

- (i) HK\$380,000,000 to be subscribed by China OEPC; and
- (ii) HK\$15,000,000 to be subscribed by Ms. Hao.

Maturity Date: The Convertible Notes shall mature on the second anniversary of the date of issue thereof.

Redemption: The Company may at any time before the maturity date redeem the Convertible Notes (in whole or in part) at 100% to the principal amount of the part of the Convertible Notes to be redeemed.

Any amount of the Convertible Notes which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount.

Any amount of the Convertible Notes which is redeemed by the Company will be forthwith cancelled.

Interest: The Convertible Notes shall not bear any interest.

Transferability: The Convertible Notes may be assigned or transferred to any transferee subject to prior notification to the Company. The Convertible Notes may not be assigned or transferred to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company.

Conversion: Provided that (i) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder which exercised the conversion rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules and the right of the Company to redeem, the holder of the Convertible Notes shall have the right at any time from the date of issue of the Convertible Notes up to five (5) business days prior to the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares.

Conversion Price: The Convertible Notes shall be converted at the Conversion Price.

Upon issue of the Convertible Notes, the initial Conversion Price will be HK\$0.22 per Conversion Share (equivalent to HK\$0.011 per Conversion Share before the Share Consolidation becoming effective) (subject to adjustments).

The Conversion Price shall be adjusted as provided in the Convertible Notes instrument in each of the following cases:

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;

- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the Convertible Notes instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80% of the market price;
- (v) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the Convertible Notes instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 80% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80% of the market price;
- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities of Shares at a price per Share less than 80% of the market price;
- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the Convertible Notes instrument) less than 80% of the market price; and

(viii) an issue wholly made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares for the acquisition of asset, if in any case the total effective consideration per Share (as defined in the Convertible Notes instrument) initially receivable for such securities is less than 80% of the market price.

Voting Rights:

The Noteholder(s) will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Notes.

Ranking:

The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Conversion Shares issued upon conversion of the Convertible Notes will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.

Listing:

The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares

Based on the initial Conversion Price of HK\$0.22 per Conversion Share (equivalent to HK\$0.011 per Conversion Share before the Share Consolidation becoming effective), a maximum number of 1,795,454,545 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 341.17% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 77.33% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

Conversion Price

The initial Conversion Price of HK\$0.22 per Conversion Share (equivalent to HK\$0.011 per Conversion Share before the Share Consolidation becoming effective) would be:

- (i) equivalent to the closing price of HK\$0.011 per Share as quoted on the Stock Exchange on 22 July 2020, being the date of the Subscription Agreements; and
- (ii) equivalent to the average of the closing prices of the Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 21 July 2020 of HK\$0.011 per Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreements and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

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

REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Group is principally engaged in (i) the development of cassava cultivation and deep processing business for the related ecological cycle industry chain; (ii) coal exploration and development, sales of coking coal and the provision of coal trading logistics services in the PRC; and (iii) the sale of information technology products, provision of system integration services, technology services, software development and solutions services.

The Existing Convertible Notes will become mature on 29 July 2020 and it is not expected that the Company would have sufficient internal resources to redeem all the Existing Convertible Notes upon maturity. Taking into account the financial position of the Group and given the size of the Existing Convertible Notes, the Directors consider it impracticable to secure third party financing on terms favourable to the Company to settle the Existing Convertible Notes when they fall due.

As such, upon negotiations between the Company and the Subscribers, the Subscribers agree to subscribe for the Convertible Notes which would set off against the amount due by the Company under the Existing Convertible Notes. The Convertible Notes bear similar salient features as the Existing Convertible Notes such as conversion restriction and essentially are an extension of the Existing Convertible Notes, except that the conversion price is adjusted to reflect the prevailing market price of the Shares. Moreover, the Company will also be benefited as the Convertible Notes do not bear interest whereas the Existing Convertible Notes were interest-bearing.

The Directors are of the view that the issue of the Convertible Notes will provide the Company with flexibility not to redeem all the Existing Convertible Notes upon maturity, which will become due on 29 July 2020. The Convertible Notes will not result in immediate dilution effect on the shareholding of the existing Shareholders and the Conversion Price is set at the prevailing market price per Share. With the fact that the Convertible Notes bear no interest in comparison with the prevailing market interest rate for external borrowings in light of the financial situation of the Company, the Board is of the view that the terms of the Convertible Notes are in the interests of the Company and its Shareholders as a whole and that the Subscriptions are the appropriate method to settle the Existing Convertible Notes held by the Subscribers.

Based on the above, the Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms and conditions of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and the Subscriptions are in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price (assuming that, save for the Share Consolidation, there are no other changes to the issued share capital of the Company from the date of this announcement and prior to conversion):

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price (assuming that, save for the Share Consolidation, there are no other changes to the issued share capital of the Company from the date of this announcement and prior to conversion)	
	<i>Number of Existing Shares</i>	<i>Approximate percentage</i>	<i>Number of Consolidated Shares</i>	<i>Approximate percentage</i>
China OEPC (<i>Note 1</i>)	1,885,859,226	17.92%	1,821,565,688	78.46%
Ms. Hao (<i>Note 2</i>)	–	–	68,181,818	2.94%
Other Shareholders	<u>8,639,348,858</u>	<u>82.08%</u>	<u>431,967,443</u>	<u>18.60%</u>
Total:	<u>10,525,208,084</u>	<u>100%</u>	<u>2,321,714,949</u>	<u>100%</u>

Notes:

1. China OEPC beneficially owns 1,885,859,226 Shares and HK\$380,000,000 Existing Convertible Notes. China OEPC is beneficially owned by Best Growth Enterprises Limited. Best Growth Enterprises Limited is beneficially owned by Mr. Zhang. By virtue of the SFO, Mr. Zhang and Best Growth Enterprises Limited are deemed to be interested in those Shares and derivative interest held by China OEPC.
2. Ms. Hao is the spouse of Mr. Zhang, holding HK\$15,000,000 Existing Convertible Notes. By virtue of the SFO, Ms. Hao is also deemed to be interested in the 1,885,859,226 Shares and derivative interest held by China OEPC.
3. This is for illustrative purpose only as there are restrictions under the terms of the Convertible Notes that prohibit any conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code or will cause the public float of the Shares to be less than 25% (or any given percentage under the Listing Rules).

PROPOSED USE OF PROCEEDS

Since the aggregate subscription price of HK\$395,000,000 will be set off by the Existing Convertible Notes held by the Subscribers respectively, there will be no additional cash or fund injected into the Company upon Completion.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of proceeds
22 April 2020	Subscription of an aggregate of 487,827,170 new Shares by Liang Wanhong, Zhang Yifan and Hou Xuping pursuant to three conditional subscription agreements each dated 22 April 2020 entered into between the Company and each of the subscribers respectively	The net proceeds of approximately HK\$10,192,000 will be applied towards the general working capital of the Group	The proceeds have been used as intended.
22 April 2020	Subscription of an aggregate of 1,264,148,900 new Shares by Subscribers pursuant to 11 conditional subscription agreements each dated 22 April 2020 entered into between the Company and each of the subscribers respectively	The net proceeds from the Subscription of approximately HK\$25,698,000 will be used to set off the outstanding indebtedness owed by the Company to the Subscribers under the Loan Agreements (as defined in the announcement of the Company dated 22 April 2020)	The proceeds have been used to set off against the outstanding indebtedness owed by the Company under the Loan Agreements.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

LISTING RULES IMPLICATION

As at the date of this announcement, China OEPC is a substantial Shareholder holding 1,885,859,226 Shares, represents approximately 17.92% of the issued share capital of the Company, which in turn is indirectly wholly-owned by Mr. Zhang, an executive Director, and Ms. Hao is the spouse of Mr. Zhang and therefore an associate of Mr. Zhang. As such, each of China OEPC and Ms. Hao is a connected person of the Company. Accordingly, the Subscriptions constitute connected transactions of the Company under the Listing Rules and are subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zhang has a material interest in the Subscription Agreements and the transactions contemplated thereunder, Mr. Zhang has abstained from voting on the relevant Board resolution.

SGM

The SGM will be held and convened for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate). Any Shareholder who is interested in the Subscriptions shall abstain from voting on the resolution(s) to approve the Subscription Agreements and the transactions contemplated thereunder at the SGM. To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, save for China OEPC and its associates, no Shareholder is interested in the Subscriptions and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreements and the transaction contemplated thereunder at the SGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders on the Subscription Agreements and the transactions contemplated thereunder. An independent financial adviser will be appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Subscriptions; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder; (iii) a letter of recommendation from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. The despatch date of the circular is expected to be on or before 14 August 2020 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment of the conditions precedent set out in the Subscription Agreements. Each of the Subscriptions may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“associates”	has the meaning as defined in the Listing Rules
“Board”	the board of Directors
“China OEPC”	China OEPC Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by Mr. Zhang
“Company”	Green Leader Holdings Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 0061)
“Completion”	completion of the Subscriptions pursuant to the terms and conditions of the Subscription Agreements
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of the Company of HK\$0.20 each after the Share Consolidation becoming effective
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.22 per Conversion Share (equivalent to HK\$0.011 per Conversion Share before the Share Consolidation becoming effective) (subject to adjustments)
“Conversion Share(s)”	the Share(s) to be allotted and issued upon conversion of the Convertible Notes or otherwise pursuant to the terms and conditions of the Convertible Notes
“Convertible Notes”	the 2 years zero coupon unsecured unlisted Convertible Notes in the aggregate principal amount of HK\$395,000,000 to be issued by the Company in accordance with the terms of the Subscription Agreements

“Directors”	directors of the Company
“Existing Convertible Notes”	the 2 years 1.5% unlisted convertible notes issued by the Company on 30 July 2018 with an outstanding principal amount of HK\$395,000,000 as at the date of this announcement, which shall fall due on 29 July 2020
“Existing Share(s)”	ordinary shares(s) of HK\$0.01 each in the existing share capital of the Company before Share Consolidation becoming effective
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Subscription Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than China OPEC and the connected persons of the Company and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Sanhuo, an executive Director
“Ms. Hao”	Ms. Hao Ting, the spouse of Mr. Zhang
“Noteholder(s)”	the holder(s) of the Convertible Notes
“PRC”	The People’s Republic of China
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Subscription Agreements and the transactions contemplated thereunder

“Share Consolidation”	the proposed share consolidation of the share capital of the Company where every twenty (20) Existing Shares in the share capital of the Company shall be consolidated into one (1) Consolidated Share
“Share(s)”	the Existing Share(s) or as the context may require, the Consolidated Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, China OEPC and Ms. Hao
“Subscription Agreement(s)”	the two conditional agreements dated 22 July 2020 and entered into between the Company and each of the Subscribers respectively in respect of the Subscriptions
“Subscriptions”	the subscriptions for the Convertible Notes by the Subscribers pursuant to terms and conditions of the Subscription Agreements
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By the Order of the Board of
Green Leader Holdings Group Limited
Mr. Tse Michael Nam
Executive Director

Hong Kong, 22 July 2020

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Zhang Sanhuo

Mr. Tse Michael Nam (Chief Executive Officer)

Ms. Zhang Tingting

Non-executive Director

Mr. Chang Che-Fa

Independent non-executive Directors

Mr. Lam Chi Wai

Mr. Lyu Guoping

Mr. Jin Xuliang