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EFT Solutions Holdings Limited

俊盟國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8062)

REVISION OF ANNUAL CAP AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RELATING TO MASTER SUPPLY AND SERVICES AGREEMENT

Reference is made to the section headed “Connected Transactions” in the Prospectus and the announcements of the Company dated 26 January 2018 and 13 September 2018 in relation to, among others, the Existing Master Supply and Services Agreement.

REVISION OF ANNUAL CAP OF EXISTING MASTER SUPPLY AND SERVICES AGREEMENT

During a recent review by the Board on the existing continuing connected transactions of the Group, the Directors found that the transaction amount under the Existing Master Supply and Services Agreement is approaching the existing annual cap for the financial year ending 31 March 2019.

On 26 November 2018 (after trading hours), the Company entered into the Fourth Supplemental Agreement with EFT Payments, to revise the annual cap for the financial year ending 31 March 2019 from HK\$9,900,000 to HK\$18,000,000.

NEW MASTER SUPPLY AND SERVICES AGREEMENT

As the Existing Master Supply and Services Agreement will expire on 31 March 2019, the Board announces that, on 26 November 2018 (after trading hours), the Company entered into the New Master Supply and Services Agreement with EFT Payments to renew the Existing Master Supply and Services Agreement, pursuant to which the Company shall provide EFT Payments with EFT-POS terminals and peripheral devices and system support services for the EFT-POS terminals and peripheral devices, with effect from 1 April 2019 to 31 March 2022. EFT-POS system support service comprises of installation, maintenance, collection and repair of EFT-POS terminals and peripheral devices deployed at merchants by EFT Payments, as well as hotline services and merchant training. The Group will also provide software solution services to EFT Payments.

IMPLICATIONS UNDER THE GEM LISTING RULES

EFT Payments is wholly owned by Mr. Lo, the Chairman, chief executive officer, executive Director and Controlling Shareholder of the Company. Therefore, EFT Payments is a connected person of the Company under Rule 20.07 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) are more than 5%, accordingly the entering into of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement each constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The EGM will be convened to consider and, if thought fit, to pass the resolutions to approve (i) the Fourth Supplemental Agreement, and (ii) the New Master Supply and Services Agreement and the transactions contemplated thereunder.

At the Board meeting approving the Fourth Supplemental Agreement and the New Master Supply and Services Agreement, other than Mr. Lo and his associates including Ms. Lam Ching Man and Mr. Lo Chun Wa (being Mr. Lo's spouse and brother, respectively) who were altogether considered to have material interests in the relevant transactions and had abstained from voting on the relevant board resolutions, none of the other Directors had to abstain from voting on the relevant board resolutions. LCK Group Limited, the Controlling Shareholder of the Company which is wholly-owned by Mr. Lo, will abstain from voting at the EGM on the resolutions in relation to the Fourth Supplemental Agreement and the New Master Supply and Services Agreement.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement are fair and reasonable and how to vote in respect of the resolutions on the Fourth Supplemental Agreement and the New Master Supply and Services Agreement after taking into account the recommendation of the Independent Financial Adviser.

Shinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 17 December 2018.

Reference is made to the section headed “Connected Transactions” in the Prospectus and the announcements of the Company dated 26 January 2018 and 13 September 2018 in relation to, among others, the Existing Master Supply and Services Agreement. The Board announces that, on 26 November 2018 (after trading hours), the Company and EFT Payments entered into (i) the Fourth Supplemental Agreement to revise the existing annual cap; and (ii) the New Master Supply and Services Agreement to renew the Existing Master Supply and Services Agreement.

REVISION OF ANNUAL CAP OF THE EXISTING MASTER SUPPLY AND SERVICES AGREEMENT

During a recent review by the Board on the existing continuing connected transactions of the Group, the Directors found that the transaction amount under the Existing Master Supply and Services Agreement is approaching the existing annual cap of HK\$9,900,000 for the financial year ending 31 March 2019.

The Company has entered into the Third Supplemental Agreement with EFT Payments in September 2018 to increase the annual cap from HK\$5,000,000 to HK\$9,900,000. Due to the increase in number of merchants subscribing to mobile payments throughout 2018, the number of EFT-POS terminals ordered by EFT Payments further increased. As such, the transaction amount for the financial year ending 31 March 2019 is expected to be higher than the original level as envisaged at the times entering into of the Existing Master Supply and Services Agreement and the Third Supplemental Agreement. The Group has been monitoring the historical transacted amounts of the transactions under the Existing Master Supply and Services Agreement for the three financial years ending 31 March 2019. However, it is expected that the existing annual cap for the financial year ending 31 March 2019 will be exceeded. The Directors therefore proposes to revise the annual cap for the financial year ending 31 March 2019.

On 26 November 2018 (after trading hours), the Company entered into the Fourth Supplemental Agreement with EFT Payments, to revise the annual cap for the financial year ending 31 March 2019 from HK\$9,900,000 to HK\$18,000,000. Save and except the revised annual cap of the transaction amount between the Company and EFT Payments as amended and supplemented by the Fourth Supplemental Agreement, the other provisions of the Existing Master Supply and Services Agreement shall remain in full force and effect. The Board confirms that the existing annual cap of HK\$9,900,000 for the year ending 31 March 2019 has not yet been exceeded as at the date of this announcement.

The Fourth Supplemental Agreement is conditional upon (not to be waived by any of the parties), among other things, the Company having complied with the requirements under the GEM Listing Rules in relation to continuing connected transactions, which include but not limited to the announcement and Independent Shareholders’ approval requirements.

NEW MASTER SUPPLY AND SERVICES AGREEMENT

The Existing Master Supply and Services Agreement will expire on 31 March 2019, the Board announces that, on 26 November 2018 (after trading hours), the Company entered into the New Master Supply and Services Agreement with EFT Payments to renew the Existing Master Supply and Services Agreement. Principal terms of the New Master Supply and Services Agreement are set out below for reference:

Date

26 November 2018

Parties

The Company and EFT Payments

Services

The Company shall provide EFT Payments with EFT-POS terminals and peripheral devices and system support services for the EFT-POS terminals and peripheral devices. EFT-POS system support service comprises of installation, maintenance, collection and repair of EFT-POS terminals and peripheral devices deployed at merchants by EFT Payments, as well as hotline services and merchant training. The Group will also provide software solution services to EFT Payments.

Term

3 years, commencing from 1 April 2019 and expiring on 31 March 2022.

Conditions precedent

The New Master Supply and Services Agreement is conditional upon (not to be waived by any of the parties), among other things, the Company having complied with the requirements under the GEM Listing Rules in relation to continuing connected transactions, which include but not limited to the announcement and Independent Shareholders' approval requirements.

Pricing basis

The purchase price for EFT-POS terminals shall be determined after arm's length negotiations between EFT Payments and the Group from time to time with reference to the model of EFT-POS terminals to be purchased, their various specifications and the then prevailing market price of similar products in the market and that in any event shall be no less favourable to the Group than that offered to Independent Third Parties by the Group.

The monthly system support fee payable by EFT Payments to the Group is based on the number of terminals deployed by EFT Payments multiplied by a system support fee which was agreed after arm's length negotiations between the parties with regard to the scope of services and the prevailing market rates and that in any event shall be no less favourable to the Group than that offered to Independent Third Parties by the Group.

The software solution service fee payable by EFT Payments to the Group is based on the size and complexity of a particular software solution and shall be determined after arm's length negotiations between EFT Payments and the Group from time to time with reference to the then prevailing market price of similar services in the market and that in any event shall be no less favourable to the Group than that offered to Independent Third Parties by the Group.

The Group will revisit and make reference to the prices of the same or comparable products or services offered to independent customers in the ordinary and usual course of business from time to time to ensure that the prices offered to EFT Payments will be no less favourable than those available to the Independent Third Parties, after balancing various factors including but not limited to the costs, lot sizes and quantities of each order, market conditions and delivery deadline and arrangements. In determining the prevailing market prices for the relevant products and services, the Group will make reference to the prices offered to at least two Independent Third Parties for the same or similar products or services.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The following table sets out (i) the existing annual caps under the Existing Master Supply and Services Agreement; (ii) the historical transaction amounts; and (iii) the proposed revised annual cap under the Fourth Supplemental Agreement:

	For the year ended 31 March 2017 (HK\$'000) (audited)	For the year ended 31 March 2018 (HK\$'000) (audited)	For the seven months ended 31 October 2018 (HK\$'000) (unaudited)
Historical transaction amounts	<u>4,456</u>	<u>9,517</u>	<u>7,180</u>
	For the year ended 31 March 2017 (HK\$'000)	For the year ended 31 March 2018 (HK\$'000)	For the year ending 31 March 2019 (HK\$'000)
Existing annual caps	5,000	9,900 ^(Note 1)	9,900 ^(Note 2)
Proposed revised annual cap	<u>N/A</u>	<u>N/A</u>	<u>18,000</u>

Note 1: On 26 January 2018 (after trading hours), the Company entered into the Second Supplemental Agreement with EFT Payments, to revise the existing annual caps for the year ending 31 March 2018 from HK\$5,000,000 to HK\$9,900,000.

Note 2: On 13 September 2018 (after trading hours), the Company entered into the Third Supplemental Agreement with EFT Payments, to revise the existing annual cap for the year ending 31 March 2019 from HK\$5,000,000 to HK\$9,900,000.

The proposed annual caps for each of the three years ending 31 March 2022 under the New Master Supply and Services Agreement are as follows:

	For the year ending 31 March 2020 (HK\$'000)	For the year ending 31 March 2021 (HK\$'000)	For the year ending 31 March 2022 (HK\$'000)
Annual caps	<u>20,000</u>	<u>23,000</u>	<u>23,000</u>

In determining the above annual caps (including the revised cap for the year ending 31 March 2019), the Directors have considered (i) the historical purchase price and system support fees due from the Existing Master Supply and Services Agreement for each of the two years ended 31 March 2017 and 2018, and the seven months ended 31 October 2018; and (ii) the expected demand and/or sales and deployment of terminals for the year ending 31 March 2019 and the three years ending 31 March 2020, 2021 and 2022.

Having considered (i) the historical purchase price and system support fees paid under the Existing Master Supply and Services Agreement was approximately HK\$4.5 million for the year ended 31 March 2017 and HK\$9.5 million for the year ended 31 March 2018, respectively; (ii) the transaction amounts between the Group and EFT Payments for the seven months ended 31 October 2018 accounted for approximately 72.5% of the annual cap of HK\$9.9 million; (iii) the higher average monthly deployment rate of EFT-POS terminals under the Existing Master Supply and Services Agreement for the seven months ended 31 October 2018 as compared to those for the years ended 31 March 2017 and 2018; (iv) the number of mobile payment users in Hong Kong has increased significantly and the demand of EFT-POS terminals deployed in merchants is expected continue to grow in the coming years; (v) the expected demand of EFT-POS terminals for the confirmed projects in malls, restaurants and other merchants of EFT Payments and its subsidiaries; (vi) the service fee for system support service is cumulative once the EFT-POS terminals are deployed and increases progressively depending on the number of terminals deployed and the monthly service fee payable to the Group by EFT Payments for EFT-POS system support service based on the number of terminals deployed as at 31 October 2018 amounted to approximately HK\$520,000; and (vii) the software solution fees can vary depending on the size and complexity of the software solution being provided, the Directors consider that the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the annual caps (including the revised cap for the year ending 31 March 2019) are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF REVISION OF THE ANNUAL CAP AND ENTERING INTO THE NEW MASTER SUPPLY AND SERVICES AGREEMENT

With the increasing popularity of mobile payment methods in Hong Kong, the demand for EFT-POS terminals for mobile payments, corresponding system support services and software solution services is increasing. The aggregate purchase of EFT-POS terminals and peripheral devices by EFT Payments are expected to increase to keep abreast of the rapid development of the mobile payment market. The increased number of deployed EFT-POS terminals and peripheral devices by EFT Payments will increase demand for system support services and software solution services to provide seamless integrated solutions for merchants.

Also, as mentioned in the paragraph headed “Revision of Annual cap of the Existing Master Supply and Services Agreement”, it is expected that the existing annual cap for the financial year ending 31 March 2019 will be exceeded. Accordingly, the Directors therefore proposes to enter into the Fourth Supplemental Agreement to revise the annual cap for the financial year ending 31 March 2019.

The Directors (excluding the independent non-executive Directors whose opinion will be formed after considering the advice from the Independent Financial Adviser) consider it is beneficial for the Group to conduct transactions under the Fourth Supplemental Agreement and the New Master Supply and Services Agreement in order to seize the opportunity of the increasing demand of mobile payments, which will in turn continue to enhance the revenue and profitability to the Group. The Directors (excluding the independent non-executive Directors whose opinion will be formed after considering the advice from the Independent Financial Adviser) consider the entering into of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement is in the Group’s ordinary course of business, and the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND EFT PAYMENTS

The Group is a leading EFT-POS solution provider focusing on sourcing of EFT-POS terminals and peripheral devices, and provision of EFT-POS system support services and software solution services in Hong Kong.

EFT Payments and its subsidiaries are principally engaged in promoting and marketing the acceptance of Alipay as means of electronic payment by merchants in Hong Kong and the PRC.

IMPLICATIONS UNDER THE GEM LISTING RULES

EFT Payments is wholly-owned by Mr. Lo, the Chairman, chief executive officer, executive Director and Controlling Shareholder of the Company. Therefore, EFT Payments is a connected person of the Company under Rule 20.07 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) are more than 5%, accordingly the entering into of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement each constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The EGM will be convened to consider and, if thought fit, to pass the resolutions to approve (i) the Fourth Supplemental Agreement, and (ii) the New Master Supply and Services Agreement and the transactions contemplated thereunder and the annual caps.

At the Board meeting approving the Fourth Supplemental Agreement and the New Master Supply and Services Agreement, other than Mr. Lo and his associates including Ms. Lam Ching Man and Mr. Lo Chun Wa (being Mr. Lo's spouse and brother, respectively) who were altogether considered to have material interests in the relevant transactions and had abstained from voting on the relevant Board resolutions, none of the other Directors had to abstain from voting on the relevant Board resolutions. LCK Group Limited, the Controlling Shareholder of the Company which is wholly-owned by Mr. Lo, will abstain from voting at the EGM on the resolutions in relation to the Fourth Supplemental Agreement and the New Master Supply and Services Agreement.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the annual caps are fair and reasonable and how to vote in respect of the resolutions on the Fourth Supplemental Agreement and the New Master Supply and Services Agreement after taking into account the recommendation of the Independent Financial Adviser. Shinco Capital Limited has been appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 17 December 2018.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	EFT Solutions Holdings Limited 俊盟國際控股有限公司, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EFT Payments”	EFT Payments (Asia) Limited, a company incorporated in Hong Kong with limited liability, wholly-owned by Mr. Lo
“EFT-POS”	electronic fund transfer at point-of-sales
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve (i) the Fourth Supplemental Agreement, and (ii) the New Master Supply and Services Agreement and the transactions contemplated thereunder
“Existing Master Supply and Services Agreement”	the master supply and services agreement entered into between the Company and EFT Payments in relation to the supply of EFT-POS terminals and peripheral devices and system support services for the EFT-POS terminals and peripheral devices dated 17 June 2016 (as supplemented and amended by the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement)
“First Supplemental Agreement”	the first supplemental agreement dated 14 November 2016 and entered into between the Company and EFT Payments, which amended and supplemented the Existing Master Supply and Services Agreement

“Fourth Supplemental Agreement”	the fourth supplemental agreement dated 26 November 2018 and entered into between the Company and EFT Payments, which further amended and supplemented the Existing Master Supply and Services Agreement
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars and cents respectively, 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 three independent non-executive Directors, namely Mr. Lam Keung, Ms. Yang Eugenia and Mr. Ng Ming Fai, which has been established by the Company to make recommendations to the Independent Shareholders in respect of the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement
“Independent Financial Adviser”	Shinco Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have material interests in the Fourth Supplemental Agreement and the New Master Supply and Services Agreement and the transactions contemplated thereunder and are required to abstain from voting at the EGM
“Independent Third Party(ies)”	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates

“Mr. Lo”	Mr. Lo Chun Kit Andrew (勞俊傑), the Chairman, chief executive officer, executive Director and Controlling Shareholder of the Company
“New Master Supply and Services Agreement”	the master supply and services agreement entered into between the Company and EFT Payments in relation to the supply of EFT-POS terminals and peripheral devices and system support services for the EFT-POS terminals and peripheral devices dated 26 November 2018
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 5 December 2016
“Second Supplemental Agreement”	the second supplemental agreement dated 26 January 2018 and entered into between the Company and EFT Payments, which further amended and supplemented the Existing Master Supply and Services Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Supplemental Agreement”	the third supplemental agreement dated 13 September 2018 and entered into between the Company and EFT Payments, which further amended and supplemented the Existing Master Supply and Services Agreement
“%”	per cent

By Order of the Board
EFT Solutions Holdings Limited
Lo Chun Kit Andrew
Chairman and Chief Executive Officer

Hong Kong, 26 November 2018

As at the date of this announcement, the Board comprises executive Directors Mr. Lo Chun Kit Andrew, Mr. Lo Chun Wa and Mr. Chan Lung Ming; non-executive Directors Ms. Lam Ching Man and Mr. Lui Hin Weng Samuel; and independent non-executive Directors Mr. Lam Keung, Ms. Yang Eugenia and Mr. Ng Ming Fai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting and be posted on the website of the Company at www.eftsolutions.com.