

*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.*



鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1131)**

**INSIDE INFORMATION  
SECURITIES PURCHASE AGREEMENT,  
SHAREHOLDERS AGREEMENT AND ISSUANCE OF NEW SHARES  
BY SKS POWER**

This announcement is made by Agritrade Resources Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

**BACKGROUND**

Reference is made to the announcement of the Company dated 24 February 2020 in relation to the resignation of Mr. Ashok Kumar Sahoo (“**Mr. Sahoo**”) as the executive director and the member of the executive committee of the board (the “**Board**”) of directors (the “**Directors**”) of the Company with effect from 24 February 2020. Prior to his resignation, Mr. Sahoo was the executive Director and the Chief Financial Officer of the Company from August 2013 to February 2020 and was a member of the executive committee of the Board from September 2014 to February 2020. Mr. Sahoo was responsible for, among other things, overseeing the Group’s thermal power plant operation in India and was a director of each of Entwickeln India Energy Private Limited (“**Entwickeln**”) and SKS Power Generation (Chhattisgarh) Ltd. (“**SKS Power**”), subsidiaries of the Group in India. In March 2019, the Group completed its acquisition of SKS Power, which owned and operated a 600 megawatt coal-fired thermal power plant (the “**SKS Power Plant**”) located at the State of Chhattisgarh in India. Details of the acquisition are set forth in the circular of the Company dated 17 December 2018.

In or about April 2020, it has come to the attention of the Company that certain corporate restructuring of SKS Power was not implemented due to lack of sufficient funds with SKS Power for payment of the required stamp duty. Further, in and about May 2020, it has also come to the attention of the Company that in or about April 2020, the SKS Power Plant had to suspend its operations in March 2020 purportedly because of lack of funds and COVID-19 pandemic lockdown in India, and has only managed to resume operations in May 2020. These events are a surprise to the Company as the Group has invested more than US\$123 million in SKS Power since March 2019, of which approximately US\$100 million was for completion of the acquisition of SKS Power.

In the course of the investigation of the affairs of SKS Power following the discovery of the said events, it has recently come to the attention of the Board the existence of various abnormal and suspicious transactions involving Mr. Sahoo and his associates without the consent and knowledge of the Company for his personal benefits and gains, which include (i) the Securities Purchase Agreement; (ii) the Shareholders' Agreement; and (iii) the Issuance of New Shares (all as defined and elaborated below).

## **SECURITIES PURCHASE AGREEMENT**

A Securities Purchase Agreement dated 22 August 2019 (the "**Securities Purchase Agreement**") was entered into by, among others, Entwickeln, which owned 100% shareholding interest of SKS Power, as seller and Berrio Mauritius Global Limited ("**Berrio Mauritius**") as purchaser. Pursuant to the Securities Purchase Agreement, Berrio Mauritius acquired from Entwickeln 1,370,000 Compulsorily Convertible Debentures ("**CCDs**") of SKS Power at the consideration of Indian Rupees ("**INR**") 75,00,000 (equivalent to approximately US\$100,000).

Pursuant to the terms and conditions of the CCDs, on their conversion, Berrio Mauritius would own over 15% shareholding interest of SKS Power. SKS Power had been valued by an independent valuer at a valuation of US\$521,000,000 (equivalent to approximately INR 3907,50,00,000) as at 31 August 2018, which was disclosed in Circular of the Company dated 16 December 2018 at Appendix VI. It should also be noted that Mr. Sahoo had personally issued the Circular dated 16 December 2018 on behalf of the Board. Based on such valuation, 15% shareholding interest of SKS Power therefore would amount to US\$78,150,000 (equivalent to approximately INR 586,12,50,000). The acquisition of the CCDs by Berrio Mauritius was at a gross undervalue.

Besides, based on findings of the Group, a sum of US\$100,000 had been illegally transferred from the Group to Berrio Mauritius for the payment of the consideration under the Securities Purchase Agreement.

## **SHAREHOLDERS AGREEMENT**

A Shareholders Agreement dated 22 August 2019 (the "**Shareholders Agreement**") was entered into by, among others, SKS Power, Entwickeln and Berrio Mauritius. Pursuant to the Shareholders Agreement, (i) Berrio Mauritius is entitled to appoint 3 out of 9 directors of SKS Power who cannot be removed by SKS Power or any of its other shareholders; (ii) Berrio Mauritius has the right of first refusal in relation to transfer of any shares held by promoters and/or any of the shareholders of SKS Power; and (iii) certain reserved matters, including the making of capital expenditure, by way of single transaction or series of

transaction, in excess of INR1,00,000 (equivalent to approximately US\$1,335 in a financial year, shall not to be undertaken by SKS Power without the prior written consent of Berrio Mauritius.

The entering into of the Shareholders Agreement would, in effect, enable Berrio Mauritius to take control of SKS Power despite the Group being the 100% shareholder of SKS Power.

## **ISSUANCE OF NEW SHARES**

On 3 March 2020, SKS Power issued and allotted 57,537 new shares, representing approximately 0.1% of its entire shareholding, to Berrio Mauritius for a total subscription price of INR14,38,425 (equivalent to approximately US\$19,000) (the “**Issuance of New Shares**”).

## **INFORMATION OF BERRIO MAURITIUS**

Based on findings of the Group up to the date of this announcement, (i) Berrio Mauritius is a company incorporated in the Republic of Mauritius and is owned as to 100% by Berrio Global Limited; (ii) Berrio Global Limited is a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Sahoo and his wife, Ms. Nisha Sahu.

## **LISTING RULES IMPLICATIONS**

As of the date of the Securities Purchase Agreement, (i) Mr. Sahoo was an executive Director and hence a connected person of the Company; and (ii) Berrio Mauritius, being owned as to 100% by Mr. Sahoo and his wife, is an associate of Mr. Sahoo. The Securities Purchase Agreement constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios in respect of the Securities Purchase Agreement exceeded 5%, the Securities Purchase Agreement should have constituted (i) a non-exempt connected transaction for the Company subject to the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules; and (ii) a discloseable transaction of the Company subject to the announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As of the date of the Issuance of New Shares, (i) Mr. Sahoo was a director of the Company in the last 12 months and hence a connected person of the Company; and (ii) Berrio Mauritius, being owned as to 100% by Mr. Sahoo and his wife, is an associate of Mr. Sahoo. The Issuance of New Shares constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios in respect of the Issuance of New Shares did not exceed 5%, the Issuance of New Shares should have constituted a connected transaction for the Company subject to the announcement requirement but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Securities Purchase Agreement, the Shareholders Agreement and the Issuance of New Shares were entered into by Entwickeln and SKS Power, without the knowledge of the Directors other than Mr. Sahoo at the relevant time. The Board is of the view that the above transactions were effected as a result of the illegal, unlawful and fraudulent activities and personal misconduct of individuals without due authorization from the Board. The Board

would like to emphasize that had such transactions been submitted to the Board for consideration and approval in accordance with the Group's internal control and management procedures, the Board would never have approved such transactions.

## **ACTIONS TAKEN BY THE GROUP**

### **Petition in India**

On 31 July 2020, Agritrade Power Holdings Pte. Limited (the “**APH**”), being a subsidiary of the Company and the holding company of Entwickeln and SKS Power, as petitioner filed a petition (the “**ARL Petition**”) at the National Company Law Tribunal, Mumbai Bench, Mumbai of India against respondents including Mr. Sahoo, Berrio Mauritius and certain directors and managerial staffs of SMS Power, seeking orders and/or declarations, among others:

- (i) removing certain respondents including Mr. Sahoo from the board of directors and managerial position of SKS Power;
- (ii) that the Securities Purchase Agreement and the CCDs transferred to Berrio Mauritius pursuant thereto are illegal, null and void, having no legal effect and consequences whatsoever and not binding on APH and/or SKS Power and that the CCDs should be allotted to APH;
- (iii) that the Shareholders Agreement and steps taken pursuant thereto are illegal, null and void, which shall have no legal effect and consequences whatsoever and is not binding on APH and/or SKS Power;
- (iv) that certain resolutions of the board of directors and shareholders of SKS Power are illegal, null and void having no consequence whatsoever, not binding on APH and/or SKS Power and be struck down;
- (v) that the Issuance of New Shares is illegal and to revoke/cancel and set aside the Issuance of New Shares and any other steps taken in relation to it;
- (vi) that in scenario the CCDs have already been converted into equity shares of SKS Power in favour of Berrio Mauritius, Berrio Mauritius shall not have any voting rights or any other rights that flow from the said equity shares; and
- (vii) directing certain respondents including Mr. Sahoo to disclose on oath the manner in which the funds infused by APH's group of companies have been utilized and to conduct a forensic audit of the affairs and the accounts of SKS Power by a reputed agency and that certain respondents including Mr. Sahoo be directed to repay such amounts as are found to be misappropriated to Berrio Mauritius.

## **Board Committee**

A committee of the Board comprising Yew Chu Sern (executive Director), Sim Mingqing (executive Director) and Chew Shee Koon, Malcolm (non-executive Director) has been formed to conduct investigations of the matters relating to the Securities Purchase Agreement, the Shareholders Agreement, the Issuance of Shares and other transactions of the subsidiaries of the Group in India and the operation the SKS Power Plant.

## **Strengthening of internal control system**

The Company is in the process of reviewing the internal control system of the Group and measures will be implemented to strengthen the internal control functions.

## **PETITION OF BERRIO MAURITIUS**

Subsequent to the filing of the APH Petition, the Group received a petition (the “**Berrio Petition**”) filed at the High Court of Judicature at Bombay, India by Berrio Mauritius as petitioner against respondents including the Company and its various subsidiaries, including APH, Entwickeln and SKS Power. As alleged by Berrio Mauritius, it filed the Berrio Petition to secure and preserve its management rights on the board of directors of SKS Power (*which the Group denied, emphasis added*) pending resolution of the disputes through arbitral proceedings in Mumbai.

The Group is seeking legal advice regarding the Berrio Petition.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Main Board of the Stock Exchange has been suspended with effect from 9:00 a.m. on Thursday, 2 July 2020 pending the release of results of the Group for the year ended 31 March 2020. Trading in the shares of the Company will remain suspended until further notice. The Company will keep its shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

**Shareholders and potential investors should exercise caution when dealing or investing in the securities of the Company.**

By order of the Board  
**Agritrade Resources Limited**  
*(Provisional Liquidators Appointed)*  
*(For Restructuring Purposes)*  
**Sim Mingqing**  
*Executive Director*

Hong Kong, 3 August 2020

*As at the date of this announcement, the Board comprises Mr. Ng Xinwei, Mr. Sim Mingqing and Mr. Yew Chu Sern as executive Directors; Mr. Goh Jun Feng, Ms. Song Kaixin, Cecilia, Mr. Ong Jia Sheng, Jeffrey and Mr. Chew Shee Koon, Malcolm as non-executive Directors and Mr. Siu Kin Wai, Mr. Terence Chang Xiang Wen, Mr. Cheng Yu and Mr. Phen Chun Shing Vincent as independent non-executive Directors.*