

SWING MEDIA TECHNOLOGY GROUP LIMITED

(Company Registration No 30254)

(Incorporated in Bermuda on 26 March 2001)

- (I) **UPDATES ON ANNOUNCEMENTS DATED 11 JULY 2017 AND 19 JULY 2017; AND**
 - (II) **RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE COMPANY’S ANNOUNCEMENT DATED 11 JULY 2017**
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1. INTRODUCTION

- 1.1 The board of directors (the **"Board"** or **"Directors"**) of Swing Media Technology Group Limited (the **"Company"**, and together with its subsidiaries, the **"Group"**) refers to the Company’s announcements (collectively, the **"Announcements"**) on: (a) 19 February 2017 in relation to the proposed acquisition by the Company of Grace Health Group Limited; (b) 20 June 2017 in relation to the use of proceeds from the placement announced by the Company on 23 January 2017; (c) 11 July 2017 in relation to (i) statutory demands by two (2) financiers of the Group and (ii) suspension of trading (**"11 July Announcement"**); and (d) 19 July 2017 in relation to statutory demands by other financiers of the Group (**"19 July Announcement"**).
- 1.2 The Board would like to provide shareholders with an update on the matters set out in the July 11 Announcement and 19 July Announcement and the Company’s AGM, and to respond to the following queries raised by SGX-ST on 17 July 2017 (each, a **"SGX Query"**) as set out in paragraph 3 below.
- 1.3 Unless otherwise specified, all capitalised terms used herein shall have the same meaning ascribed to them in the Announcement.

2. UPDATES ON ANNOUNCEMENT DATED 11 JULY 2017 AND 19 JULY 2017

Since the first statutory demand issued by Bank A (as detailed in the 11 July Announcement), all other banks of the Group have ceased to extend their banking facilities to the Group. Despite continued efforts in negotiation with the banks to allow the Group to continue using the facilities for the Group’s operation, all our bankers had not acceded to the request. As at the date of this announcement, the Group has used some of its available funds to make a deposit in connection with the Proposed Acquisition (please refer to paragraph 3.5 of this announcement for more details) and some of the Group’s banks had set-off the available cash in the Group accounts to reduce the banks’ outstanding.

On 27 July 2017, petitions (**"Petitions"**) were presented by Bank B to the High Court of the Hong Kong Special Administrative Region for the winding-up of ST and SMI under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32). Each of the petitions are set to be heard on 4 October 2017. Following the presentation of the Petitions, all of the Group’s bank accounts held with the Group’s banks have been suspended.

The management together with all independent Directors has had a thorough discussion and is of the view that the operation of the Company was mainly affected by the change of policy of its banks to withdraw their business from the local market. Due to the demand by the banks (as detailed in the 11 July Announcement), all the other banks of the Group had ceased extending or otherwise withdrew their banking facilities. This in turn has materially and adversely affected the Group's cash flow and resulted in the Group being unable to carry on its operations.

As the legal action has been initiated by the relevant banks, the Company has sought the advice of its legal advisers in respect of its on-going operations and response to the banks' actions. Separately, as indicated in the July 11 Announcement and 19 July Announcement most of the legal actions have been initiated against the Group's two operating subsidiaries, namely ST and SMI, and have been initiated in Hong Kong. Accordingly, the legal actions will be subject to the Hong Kong laws.

The Company will make further announcements to keep shareholders updated on any material development as and when appropriate.

3. RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 11 JULY 2017

3.1 SGX Query 1

Whether the statutory demand arose due to the Company and/or its subsidiaries breaching any loan covenants or missing payments.

Company's Response to SGX Query 1

Approximately in the fourth quarter last year, Bank A had met with the Company's management and indicated to the Company that it intends to withdraw the banking facilities granted to each of SMI and ST ("**Bank A Facilities**") in view of their corporate decision to move away from commercial banking in Hong Kong. At the relevant point in the time, the Group had been servicing the amounts owing under the Bank A Facilities and was not in breach of any terms or conditions thereof.

Following the meeting, the Company had entered into further discussions with Bank A to seek an extension of the Bank A Facilities. The Company had also met with other financiers, including Bank B, Bank C and Bank D, to seek banking facilities to replace the Bank A Facilities. The Company was confident that it could extend the facilities with Bank A or secure funding from other financiers.

However, towards end of June 2017, Bank A officially terminated all negotiations and demanded for the immediately repayment of all monies forthwith. Following Bank A's action, Bank B, Bank C and Bank D also officially terminated their facilities to the Group. The Company immediately engaged Bank A, Bank B, Bank C and Bank D to negotiate a possible standstill and restructuring of the facilities. The Company also spoke to other banks which the Group has a banking relationship with for further financing.

Up to the issue of the Bank A Statutory Demands, the Company remained hopeful that it could work out a resolution of the matter with all the banks.

On 3 July 2017, the Bank A Statutory Demands were issued. Following the issue of the Bank A Statutory Demands, each of Bank B, Bank C and Bank D followed with the statutory demands issued on 4 July 2017, 12 July and 13 July, respectively.

The Statutory Demands from Bank A and Bank B were addressed to the Chief Executive Officer of the Company, Mr Hui Yan Moon, and were received by the Company on 5 July 2017. As Mr Hui was on a business trip, he was made aware of the said Statutory Demands only when he returned to the Company office on 6 July 2017. After consulting with and obtaining approval from the board, a trading halt requested on on the same day on 6 July 2017.

3.2 SGX Query 2

What led to the issue of the statutory demand letters by the two banks. If the terms of the credit facilities provide that the banks can withdraw their credit facilities at their liberty and the two banks have exercised their sole discretion to do so, a statement to this effect.

Company's Response to SGX Query 2

Please see Company's Response to SGX Query 1.

The terms of the facilities granted by Bank A, Bank B, Bank C, Bank D and other banks allow each of the banks to withdraw their credit facilities at their discretion. In each instance, each of the aforesaid banks had elected to withdraw their credit facilities and no official reason was given for the withdrawals.

3.3 SGX Query 3

When was management and the Board first made aware of the withdrawal of facilities and why was no announcement made at that point.

Company's response to SGX Query 3

As to when the management and the Board was made first aware of the withdrawal of the facilities, please see Company's Response to SGX Query 1.

When Bank A indicated their intention to terminate their facilities, the Group still has many other banking facilities and it was not unusual for companies to change their relationships with one or two banks or businesses to terminate banking facilities with their financiers or for banks to not further extend facilities to their clients. Following the Initial Meeting, the Company had entered into further discussions with Bank A to seek an extension of the Bank A Facilities. The Company had also met with other financiers including Bank B, Bank C and Bank D, to seek banking facilities to replace or substitute the Bank A Facilities. The Company

was confident that it could extend the facilities with Bank A or secure funding from other financiers.

When Bank A officially terminated all negotiations and demanded for the immediately repayment of all monies forthwith., followed by the termination by Bank B, Bank C and Bank D, the Company remained optimistic that a resolution could be achieved with them through negotiations. Further the Company also spoke to other banks which the Group has a banking relationship with for further financing.

Up to the issue of the Bank A Statutory Demands, the Company remained hopeful that it could work out a resolution of the matter with all the banks. The Company believes that any announcement then would jeopardise the negotiations and also unduly alarm the other banks.

3.4 SGX Query 4

The Group's announcement of full year results dated 30 May 2017 states that as at 31 March 2017, the Group had cash at bank amounting to HK\$55.3m. How has this cash been utilized and what is the Group's cash balance as at the latest practicable date?

Company's Response to SGX Query 4

The Company has paid AUD3.8 million as deposit in connection with the Proposed Acquisition. Separately, in May and June 2017, approximately HK\$25.0 million was utilised to reduce some of the banks outstanding. Furthermore, after the banks have withdrawn their credit facilities, the Company has used its own funds to support its factory's production. As at the date of this announcement, the Company's cash balance is approximately HK\$160,000.

Following the presentation of the Petitions, all of the Group's bank accounts held with the Group's banks have been suspended.

3.5 SGX Query 5

It was announced on 20 June 2017 that the Company had fully utilised the net proceeds from the Placement of approximately S\$5.1 million out of which S\$4.1 million was used for the Proposed Acquisition of the Target Company as announced on 19 August 2016 and 19 February 2017. Is this deposit paid to the vendor for the Proposed Acquisition refundable to the Company and is the deposit placed in escrow? What is the impact of the statutory demand on the Proposed Acquisition?

Company's Response to SGX Query 5

Due to the delay in the due diligence process, the Company has mutually agreed with the Vendor to place a deposit amounting to AUD3.8 million to the Vendor as deposit ("**Deposit**"). The Deposit will be utilised as partial payment of the Consideration in the event the Proposed Acquisitions proceeds to completion.

The Company and the Vendor have also agreed that in the event completion of the Proposed Acquisition does not take place, or if the Sale and Purchase Agreement ceases or is terminated in accordance with the terms thereof or for any other reason whatsoever, the

Vendor shall return the Deposit after deducting 10% (i.e., AUD380,000), to the Company within seven (7) days from the date of cessation and/or termination (as the case may be).

At this juncture, the Company is in discussion with the Vendor to consider the Proposed Acquisition in view of the statutory demands. If the statutory demands cannot be settled or resolved to the satisfaction of the Company and/or if the Company cannot secure financing to continue with its present business operations, the Company will not be able to proceed with the Proposed Acquisition. The Company will make further announcement to keep shareholders updated on any material development as and when appropriate.

3.6 SGX Query 6

How has the Group's operations been affected by the statutory demands by the two banks?

Company's Response to SGX Query 6

The Group is dependent on the banking facilities extended by Bank A, Bank B, Bank C, Bank D and other banks to fund its business operations. At present, in view of the statutory demands by the foregoing banks and the withdrawal of all banks facilities, the Group has no access to the funding required to continue its business operations. Effectively, the Group's operations have been ceased because as a result of the statutory demands.

3.7 SGX Query 7

What measures have the AC taken to safeguard the assets of the Group?

Company's Response to SGX Query 7

The Group has implemented and continues to observe to the internal control policies and measures reviewed by the internal auditors of the Group. In view of the financial conditions and available assets of the Group (which comprise mainly the Group's receivables, inventory and fixed assets), the Audit Committee of the Group is of the view that the existing internal control policies and measures are sufficient and adequate for safeguarding the assets of the Group.

By order of the Board

Johnny Chan Hon Chung
Director / Company Secretary
31 July 2017