
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CST Group Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, to the licensed securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form of Acceptance.

Atlas Keen Limited
*(Incorporated in the British Virgin Islands
with limited liability)*

CST GROUP LIMITED
中譽集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

COMPOSITE DOCUMENT

**RELATING TO VOLUNTARY CONDITIONAL CASH OFFER BY
GET NICE SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL ISSUED SHARES OF
CST GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES
ACTING IN CONCERT WITH IT)**

Joint Financial Advisers to the Offeror

 **結好融資有限公司**
GET NICE CAPITAL LIMITED

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Board Committee

Nuada Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

A letter from Get Nice Securities, containing amongst other things, details of the terms and conditions of the Offer is set out on pages 5 to 12 of the Composite Document. A letter from the Board is set out on pages 13 to 19 of the Composite Document. A letter from the Independent Board Committee containing its recommendation to the independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptance of the Offer is set out on pages 20 to 21 of the Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 22 to 52 of the Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to the Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 18 September 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

28 August 2020

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM GET NICE SECURITIES	5
LETTER FROM THE BOARD	13
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	20
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	22
APPENDIX I — FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE GROUP	III-1
APPENDIX IV — GENERAL INFORMATION OF THE OFFEROR	IV-1
ACCOMPANYING DOCUMENT — FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all the time and date references contained in the Composite Document refer to Hong Kong time and dates.

Event	Time & Date 2020
Despatch date of this Composite Document and the accompany Form of Acceptance and the commencement date of the Offer (<i>note 1</i>)	Friday, 28 August
Latest time and date for acceptance of the Offer on the First Closing Date (<i>note 2</i>)	by 4:00 p.m. on Friday, 18 September
First Closing Date of the Offer (<i>note 3</i>)	Friday, 18 September
Announcement of the results of the Offer as at the First Closing Date to be posted on the website of the Stock Exchange.	by 7:00 p.m. on Friday, 18 September
Latest date for posting of remittances in respect of valid acceptances received under the Offer on or before the First Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) (<i>note 4</i>).	Tuesday, 29 September
Latest time and date for the Offer remaining open for acceptance on the Final Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) (<i>note 5</i>).	by 4:00 p.m. Monday, 5 October
Final Closing Date of the Offer (assuming the Offer becomes or is declared unconditional on the First Closing Date) (<i>notes 3 and 5</i>).	Monday, 5 October
Announcement of the result of the Offer as at the Final Closing Date to be posted on the website of the Stock Exchange.	by 7:00 p.m. Monday, 5 October

EXPECTED TIMETABLE

Latest date for posting of remittances in respect of valid acceptances received under the Offer on or before the Final Closing Date, being the latest date on which the Offer remain open for acceptances (assuming the Offer becomes or is declared unconditional on the First Closing Date) (*note 4*) Wednesday, 14 October

Latest time and date by which the Offer can become or be declared unconditional as to acceptances (*note 6*)by 7:00 p.m.
Tuesday, 27 October

Notes:

1. The Offer, which is conditional, is open for acceptance on and from Friday, 28 August 2020, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period.
2. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to the Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
3. The Offer will initially remain open for acceptances until 4:00 p.m. on Friday, 18 September 2020 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
4. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration for the Offer Shares tendered under the Offer will be despatched to the accepting Independent Shareholder(s) (to the address specified on the relevant Independent Shareholder's Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects.
5. In accordance with the Takeovers Code, where the Offer become or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or is at that time unconditional, that the Offer will remain open until further notice.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on Tuesday, 27 October 2020, being the 60th day after the day this Composite Document is posted. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on Tuesday, 27 October 2020 unless extended with the consent of the Executive and in accordance with the Takeovers Code.

EXPECTED TIMETABLE

7. If there is a tropical cyclone warning signal number 8 or above, or a “black rainstorm warning signal”:
- (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the posting of remittances will remain on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day and the posting of remittances will be rescheduled on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

DEFINITION

In this Composite Document, unless the context requires otherwise, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Australian Shareholders”	Independent Shareholder(s) whose addresses, as shown in the register of members of the Company, are inside Australia
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	the First Closing Date or any subsequent closing date as and may be announced by the Offeror in accordance with the Takeovers Code and approved by the Executive
“Company”	CST Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange (stock code: 985)
“Composite Document”	this composite offer document jointly issued by the Offeror and the Company in respect of the Offer in accordance with the Takeovers Code
“Concert Party(ies)”	in relation to the Offeror and Mr. Chiu, party(ies) acting in concert and presumed to be acting in concert with either of them, as determined in accordance with the Takeovers Code
“Condition”	the condition of the Offer, being the valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in the Company
“Director(s)”	the director(s) of the Company from time to time
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITION

“Final Closing Date”	the date falling 14 days after the Offer become or is declared unconditional or if the Offer is extended, any subsequent closing date as and may be announced by the Offeror in accordance with the Takeovers Code and approved by the Executive
“First Closing Date”	18 September 2020, being the first closing date of the Offer, which is 21 days after the date of this Composite Document
“Form of Acceptance”	the form of acceptance and transfer of the Offer Share(s) in respect of the Offer accompanying this Composite Document
“Get Nice Capital”	Get Nice Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as one of the joint financial advisers to the Offeror in respect of the Offer
“Get Nice Securities”	Get Nice Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC Nominees Limited”	a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying, established for the purpose of advising and giving recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and its Concert Parties
“Joint Announcement”	the joint announcement of the Company and the Offeror dated 17 July 2020 regarding the Offer

DEFINITION

“Last Trading Day”	10 July 2020, being the last trading day of the Shares before publication of the Joint Announcement
“Latest Practicable Date”	25 August 2020, being the latest practicable date prior to the printing of the Composite Document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	a loan facility of up to HK\$538.2 million granted by Get Nice Securities to the Offeror to finance the amount payable by the Offeror upon acceptances of the Offer
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown in the register of members of the Company, are inside Macau
“Mr. Chiu”	Mr. Chiu Tao, (i) the chairman and an executive Director of the Company; and (ii) the sole director and shareholder of the Offeror
“Offer”	the voluntary conditional cash offer to be made by Get Nice Securities for and on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from 17 July 2020, being the date of publication of the Joint Announcement until the Closing Date or such other later date as revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code
“Offer Price”	the price at which the Offer will be made, being HK\$0.028 per Offer Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and its Concert Parties
“Offeror”	Atlas Keen Limited, a company incorporated under the laws of BVI with limited liability and wholly owned by Mr. Chiu
“Overseas Holder(s)”	Independent Shareholder(s) whose addresses, as shown in the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Offer

DEFINITION

“Relevant Period”	the period from 17 January 2020, being the date falling six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 July 2020 entered into between the Vendor and the Offeror for the sale and purchase of the Sale Shares
“Sale Shares”	5,186,920,000 Shares beneficially owned by the Vendor as at the date of the Sale and Purchase Agreement and immediately prior to Share Completion, representing approximately 13.40% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement and immediately prior to the Share Completion
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“US\$”	US dollars, the lawful currency of the United States of America
“Veda Capital”	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as one of the joint financial advisers to the Offeror in respect of the Offer
“Vendor”	Mr. Howard Wong
“%”	per cent

Unless the context otherwise requires, conversion of HK\$ into US\$ is based on the exchange rate of approximately HK\$7.80 to US\$1.00 and conversion of GBP into US\$ is based on the exchange rate of approximately GBP0.815 to US\$1.00.



Get Nice Securities Limited
10/F, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

28 August 2020

To the Independent Shareholders,

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
GET NICE SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL ISSUED SHARES OF
CST GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, *inter alia*, the Offer.

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details on the terms of the Offer and procedures of acceptance and settlement are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance. Independent Shareholders are strongly advised to carefully consider the information contained in the sections headed "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as well as the appendices as set out in the Composite Document before reaching a decision as to whether or not to accept the Offer.

VOLUNTARY CONDITIONAL CASH OFFER

The Offer

Get Nice Securities, for and on behalf of the Offeror, is making the Offer to acquire all the Offer Shares on the following basis:

For each Offer Share HK\$0.028 in cash

LETTER FROM GET NICE SECURITIES

The Offer will be extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any recommended, declared, made or paid on or after the date of despatch of the Composite Document.

As at the Latest Practicable Date, there are 38,698,308,961 Shares in issue. The Company has no other outstanding Shares, options, warrants, derivatives, other securities that are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Comparison of value

The Offer Price of HK\$0.028 per Offer Share:

- (i) represents a premium of approximately 7.69% over the closing price of HK\$0.026 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) represents a premium of 12% over the closing price of HK\$0.025 per Share quoted on the Stock Exchange on the Last Trading Day;
- (iii) represents a premium of approximately 16.67% over the average closing price of HK\$0.024 per Share quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) represents a premium of approximately 21.74% over to the average closing price of HK\$0.023 per Share quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) represents a premium of approximately 25.56% over the average closing price of approximately HK\$0.0223 per Share quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) represents a discount of approximately 64.82% to the audited consolidated net assets attributable to the Shareholders per Share of approximately US\$0.0102 (equivalent to approximately HK\$0.0796) as at 31 March 2020, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately US\$395,166,000 (equivalent to approximately HK\$3,082,294,800) as at 31 March 2020 and 38,698,308,961 Shares in issue as at the Latest Practicable Date.

LETTER FROM GET NICE SECURITIES

Highest and lowest Share closing prices

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.026 per Share on 1, 2, 7 to 9, 14 to 17, 20, 21, 23, 27 and 28 April, 6 May, 29 and 31 July and 3 to 5, 10 to 14, 17 to 19, 21, 24 and 25 August 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.021 per Share on 26, 28 to 29 May and 1 to 5, 11 June and 2 July 2020.

Value of the Offer

Assuming the Offer is accepted in full on the basis that there is no change in the issued share capital of the Company up to the close of the Offer, a total of 29,611,388,961 issued Shares (representing the Shares not already owned or agreed to be acquired by the Offeror and its Concert Parties) will be subject to the Offer, and the maximum cash consideration payable by the Offeror under the Offer would be approximately HK\$829,118,891.

Financial resources available to the Offeror

The Offeror intends to finance the consideration payable under the Offer through its internal resources and a loan facility. Under the terms of the Loan Facility, (i) the Shares to be acquired pursuant to the Offer the payment for which is financed by the amount drawn under the Loan Facility, as well as Sale Shares acquired by the Offeror under the Sale and Purchase Agreement shall be, and have been, charged to Get Nice Securities as security and (ii) Mr. Chiu shall, and has, executed a personal guarantee for the obligations and liabilities of the Offeror under the Loan Facility. The payment of interest on and repayment of any liability (contingent or otherwise) by the Offeror to Get Nice Securities under the Loan Facility will not depend on the business of the Group. Get Nice Capital and Veda Capital are satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptances of the Offer.

Condition to the Offer

The Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in the Company.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

LETTER FROM GET NICE SECURITIES

The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code.

Shareholders and potential investors of the Company should note that the Offer is subject to the satisfaction of the Condition. Accordingly, the Offer may or may not become unconditional. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

Effect of accepting the Offer

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Hong Kong stamp duty

Sellers' Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of sellers' ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its Concert Parties, the Company, Get Nice Securities, Get Nice Capital, Veda Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

LETTER FROM GET NICE SECURITIES

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the later of (i) the date of receipt of a completed and valid acceptance in respect of the Offer; or (ii) the date on which the Offer becomes or is declared unconditional in all respects.

Overseas Holders

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Holders. However, the availability of the Offer to any Overseas Holders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Holders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Holders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

Any acceptance by any Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders to the Offeror that the local laws and requirements have been complied with. The Overseas Holders should consult their professional advisers if in doubt.

Notice to Overseas Holders

This Offer is made to Australian Shareholders in reliance on ASIC Corporations (Unsolicited Offers — Foreign Bids) Instrument 2015/1070. This Composite Document may not include information required by Division 5A of Part 7.9 of the Corporations Act 2001 (Cth), which regulates the making of unsolicited offers to purchase securities in Australia, and which requires that such offers set out in a clear, concise and effective manner certain information. Any Australian Shareholder in doubt as to whether or not to accept the Offer should seek professional advice.

This Offer has not been registered in Macau. This is not and does not intend to constitute an offer in Macau. The Composite Document (accompanied by the Form of Acceptance) is not meant to be copied, publicised or distributed in Macau (other than to the Macau Shareholder(s)). The name of the Macau Shareholder(s) is identified in the register of members and therefore such Macau Shareholder(s) may consider and accept the conditional offer under the Composite Document (accompanied by the Form of Acceptance) governed by the laws of Hong Kong according to the terms herein. Any Macau Shareholder(s) in doubt as to whether or not to accept the Offer should seek professional advice.

LETTER FROM GET NICE SECURITIES

Dealing and interests in the Company's securities

As at the Latest Practicable Date, the Offeror and its Concert Parties collectively hold a total of 9,086,920,000 Shares, representing approximately 23.48% of the issued share capital of the Company. Save for the aforesaid, the Offeror and its Concert Parties do not hold, own, control or have direction over any Shares, voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Your attention is drawn to the shareholding structure of the Company as at the Latest Practicable Date as set out under the section headed "Information of the Group" in the "Letter from the Board" to the Composite Document.

INFORMATION OF THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed "Information of the Group" in the "Letter from the Board" to the Composite Document.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror is wholly-owned by Mr. Chiu, who is the sole director of the Offeror. Mr. Chiu, aged 64, was appointed as the chairman and an executive Director of the Company on 10 March 2009 and 7 November 2008, respectively. Mr. Chiu is an experienced executive and merchant. He has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management. Mr. Chiu was the chairman during the period from 19 August 2009 to 15 June 2018, the acting chief executive officer during the period from 30 June 2015 to 15 June 2018 and an executive director during the period from 22 July 2009 to 15 June 2018 of G-Resources Group Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 1051).

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the Offer. As at the Latest Practicable Date, no investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to (a) the injection of any assets or business into the Group or (b) the disposal of any assets or business of the Group, other than those conducted by the Company in its ordinary course of business and/or those which are immaterial in nature.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

LETTER FROM GET NICE SECURITIES

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offer.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offer, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to the Composite Document and the accompanying Form of Acceptance.

GENERAL

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholders whose name appears first in the register of members of the Company. The Offeror, its Concert Parties, the Company, Get Nice Securities, Get Nice Capital, Veda Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM GET NICE SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to the Composite Document and the accompanying Form of Acceptance, which forms part of the Composite Document. You are reminded to carefully read the “Letter from the Board”, the recommendation of the Independent Board Committee, the advice and recommendation of the Independent Financial Adviser and other information about the Group, which are set out in the Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Get Nice Securities Limited
Larry Ng
Director

LETTER FROM THE BOARD

CST GROUP LIMITED
中譽集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 985)

Executive Directors:

Mr. Chiu Tao (*Chairman*)
Mr. Hui Richard Rui (*General Manager*)
Mr. Lee Ming Tung (*Chief Financial Officer*)
Mr. Kwan Kam Hung, Jimmy
Mr. Tsui Ching Hung
Mr. Wah Wang Kei, Jackie

Registered Office:

Whitehall House
238 North Church Street
P.O. Box 1043
George Town
Grand Cayman KY1-1102
Cayman Islands

Independent non-executive Directors:

Mr. Yu Pan
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

*Head office and principal place of
business in Hong Kong:*

Rooms 4501-05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

28 August 2020

To the Independent Shareholders,

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
GET NICE SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL OF THE ISSUED SHARES OF
CST GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

1. INTRODUCTION

Reference is made to the Joint Announcement issued by the Offeror and the Company in relation to, among others, a voluntary conditional cash offer to be made by Get Nice Securities for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the Concert Parties).

On 10 July 2020 (after trading hours), the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 5,186,920,000 Shares, for a consideration of HK\$129,673,000 in cash, equivalent to HK\$0.025 per Sale Share, which was agreed between

LETTER FROM THE BOARD

the Vendor and the Offeror after arm's length negotiations, and the Share Completion took place on 10 July 2020 immediately after the signing of the Sale and Purchase Agreement. The Sale Shares, being all the Shares held by the Vendor before Share Completion, represent approximately 13.40% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement and the Share Completion. The Vendor ceased to be a Shareholder immediately after the Share Completion.

The purpose of the Composite Document is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offer; (ii) a letter from Get Nice Securities containing, among other things, details of the Offer; (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; and (iv) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee of the Company, comprising all the independent non-executive Directors, namely Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying, has been established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

As disclosed in the Joint Announcement, Nuada, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser, to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

3. PRINCIPAL TERMS OF THE OFFER

As disclosed in the "Letter from Get Nice Securities", Get Nice Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

The Offer

For each Offer Share HK\$0.028 in cash

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

As at the Latest Practicable Date, the Company had 38,698,308,961 Shares in issue and did not have any outstanding Shares, options, warrants, derivatives, other securities that are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

LETTER FROM THE BOARD

The Offer Price

The Offer Price of HK\$0.028 per Offer Share represents:

- (i) a premium of approximately 7.69% over the closing price of HK\$0.026 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of 12% over the closing price of HK\$0.025 per Share quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 16.67% over the average closing price of HK\$0.024 per Share quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 21.74% over to the average closing price of HK\$0.023 per Share quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 25.56% over the average closing price of approximately HK\$0.0223 per Share quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a discount of approximately 64.82% to the audited consolidated net assets attributable to the Shareholders per Share of approximately US\$0.0102 (equivalent to approximately HK\$0.0796) as at 31 March 2020, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately US\$395,166,000 (equivalent to approximately HK\$3,082,294,800) as at 31 March 2020 and 38,698,308,961 Shares in issue as at the date of the Latest Practicable Date.

Highest and lowest Share closing price

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.026 per Share on 1, 2, 7 to 9, 14 to 17, 20, 21, 23, 27 and 28 April, 6 May, 29 and 31 July and 3 to 5, 10 to 14, 17 to 19, 21, 24 and 25 August 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.021 per Share on 26, 28 to 29 May and 1 to 5, 11 June and 2 July 2020.

LETTER FROM THE BOARD

Value of the Offer

Assuming the Offer is accepted in full on the basis that there is no change in the issued share capital of the Company up to the close of the Offer, a total of 29,611,388,961 issued Shares (representing the Shares not already owned or agreed to be acquired by the Offeror and its Concert Parties) will be subject to the Offer, and the maximum cash consideration payable by the Offeror under the Offer would be approximately HK\$829,118,891.

Condition of the Offer

The Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in the Company.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

Further details of the Offer are set out in the “Letter from Get Nice Securities” and the additional information contained in appendices to this Composite Document and the accompanying Form of Acceptance.

4. INFORMATION OF THE GROUP

The Company is principally engaged in mining businesses. The Group operates in four segments, namely (i) exploration, development and mining of mineral resources; (ii) investment in financial instruments; (iii) property investment; and (iv) money lending. The Group operates businesses in China, Hong Kong, Canada and England.

LETTER FROM THE BOARD

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

Shareholders	As at the Latest Practicable Date	
	Number of Shares	Approximate shareholding
The Offeror and its Concert Parties		
The Offeror	5,186,920,000	13.40%
Mr. Chiu	<u>3,900,000,000</u>	<u>10.08%</u>
Sub-total	9,086,920,000	23.48%
Public Shareholders	<u>29,611,388,961</u>	<u>76.52%</u>
TOTAL	<u>38,698,308,961</u>	<u>100.00%</u>

Further information of the Group has been set out in “Appendix II — Financial information of the Group” and “Appendix III — General information of the Group” to the Composite Document.

5. INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Get Nice Securities” and “Appendix IV — General information of the Offeror” to the Composite Document.

6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intention of the Offeror in relation to the Group” in the “Letter from Get Nice Securities” to the Composite Document. The Board is pleased to note the Offeror’s intention to continue with the Group’s existing principal activities after the close of the Offer. As at the Latest Practicable Date, no investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to (a) the injection of any assets or business into the Group or (b) the disposal of any assets or business of the Group, other than those conducted by the Company in its ordinary course of business and/or those which are immaterial in nature and the Offeror has no intention to discontinue the employment of any employees of the Group or change the composition of the Board, redeploy the fixed assets of the Group other than those in its ordinary and usual course of business or introduce any major changes in the existing operations and business of the Group.

LETTER FROM THE BOARD

7. TAXATION ADVICE

Your attention is drawn to the paragraph headed “Taxation advice” in the “Letter from Get Nice Securities” to the Composite Document.

Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting or rejecting the Offer.

None of the Offeror, its Concert Parties, the Company, Get Nice Securities, Get Nice Capital, Veda Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

8. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or**
- (b) there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

9. CONFLICT OF INTEREST

Mr. Chiu, the chairman and an executive Director of the Company, is the sole director and sole shareholder of the Offeror. Accordingly, Mr. Chiu did not join with the rest of the Board in giving their views on the Offer, or giving recommendations to the Independent Shareholders as set out in this letter.

10. RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 20 to 21 of the Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 22 to 52 of the Composite Document, which sets out its advice and recommendation to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

LETTER FROM THE BOARD

You are also advised to read the “Letter from Get Nice Securities” on pages 5 to 12 of the Composite Document, the further terms of the Offer and procedures of acceptance and settlement set out in Appendix I to the Composite Document and the accompanying Form of Acceptance in respect of the terms and acceptance and settlement procedures of the Offer.

Yours faithfully,
By order of the Board of
CST Group Limited
Chiu Tao
Executive Director and Chairman

CST GROUP LIMITED
中譽集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

28 August 2020

To the Independent Shareholders,

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
GET NICE SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL OF THE ISSUED SHARES OF
CST GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

We refer to the composite offer and response document dated 28 August 2020 issued jointly by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Nuada has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Offer and its terms and conditions. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out on pages 22 to 52 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

We also wish to draw your attention to the “Letter from Get Nice Securities” set out on pages 5 to 12 of the Composite Document which contains, inter alia, information about the Offer, the “Letter from the Board” set out on pages 13 to 19 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, for those Independent Shareholders who wish to realise part or all of their investments in the Company are reminded to carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market instead of accepting the Offer, if the net proceeds from such sale after deducting all transaction costs exceed the net amount to be received under the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
The Independent Board Committee
CST Group Limited
Ms. Ma Yin Fan
Independent non-executive Directors

Mr. Yu Pan

Mr. Leung Hoi Ying

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders in respect of the Offer which has been prepared for the purpose of inclusion in this document.

Nuada Limited

Unit 1606, 16/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心16樓1606室

28 August 2020

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY
GET NICE SECURITIES LIMITED FOR AND ON BEHALF OF
THE OFFEROR TO ACQUIRE ALL ISSUED SHARES OF
CST GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES ACTING
IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offer, details of which are set out in the Composite Document dated 28 August 2020 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 10 July 2020, the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 5,186,920,000 Shares, for a consideration of HK\$129,673,000 in cash, equivalent to HK\$0.025 per Sale Share, which was agreed between the Vendor and the Offeror after arm's length negotiations, and the Share Completion took place on 10 July 2020 immediately after the signing of the Sale and Purchase Agreement. The Sale Shares, being all the Shares held by the Vendor before Share Completion, represent approximately 13.40% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement and the Share Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Get Nice Securities, for and on behalf of the Offeror, is making a voluntary conditional cash offer to acquire all the Offer Shares on the following basis:

For each Offer Share. HK\$0.028 in cash

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

The Independent Board Committee of the Company, comprising all the independent non-executive Directors, namely Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying, has been established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

We, Nuada, with the approval of the Independent Board Committee, have been appointed as the Independent Financial Adviser, to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Nuada Limited and the Group or the Offeror. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors or the Offeror (as the case may be) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers, the Directors and/or the director of the Offeror, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror, Mr. Chiu and the Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by Mr. Chiu (in his capacity as the sole director of the Offeror), and the Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group and the Vendor), and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than the opinions expressed by the Directors (in their capacity as the Directors) other than Mr. Chiu and the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

Our review and analysis were based upon, among other things, the information provided by the Company including the Joint Announcement and the Composite Document, and certain published information from the public domain including trading performance of the Shares on the Stock Exchange and the annual report of the Company for the year ended 31 March 2020 (“AR2020”).

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Independent Shareholders as a result of the Offer. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Our opinion is necessarily based on the financial market and other conditions in effect and the information made available to us as at the Latest Practicable Date, and the Independent Shareholders will be notified of any material changes (if any) to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Offer, we have taken into account the following principal factors and reasons:

1. Financial Information of the Group and outlook

(a) Financial information of the Group

As stated in the Composited Document, the Company is principally engaged in mining business. The Group operates in four segments, namely (i) exploration, development and mining of mineral resources; (ii) investment in financial instruments; (iii) property investment; and (iv) money lending. The Group operates businesses in China, Hong Kong, Canada and England.

The operations of sale of copper cathodes included in the mining business segment and the e-logistics business segment of the Group were recognised as discontinued operations for the year ended 31 March 2020 (“FY2020”). Therefore, the comparative figures for the year ended 31 March 2019 (“FY2019”) have been restated to conform with FY2020’s presentation as disclosed in AR2020. While we attempted to compare the financial results of the Group for a longer period, given that no comparative figures for the year ended 31 March 2018 have been restated to conform with FY2020’s presentation, we considered that it would be impracticable to compare the Group’s operating results for the year ended 31 March 2018 and those for FY2019 and FY2020 on a fair and reasonable basis. Set out below is a summary of the Group’s operating results for FY2019 and FY2020 as extracted from AR2020.

Operating results of the Group

	For the year ended 31 March	
	2020	2019
	US\$'000	US\$'000
	(audited)	(audited)
		(restated)
Continuing operations		
Revenue	196,357	52,054
Gross profit	74,238	35,890
Discontinued operations		
Profit (loss) for the year from discontinued operations	21,504	(17,259)
Loss for the year	(295,096)	(73,284)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in AR2020, total revenue from continuing operations of the Group for FY2020 was approximately US\$196.4 million, representing an increase of approximately 277.0% compared to that of approximately US\$52.1 million for FY2019. According to AR2020, the increase was mainly attributable to the Group's coal mine in Canada (the "**Coal Mine**"), which was acquired in July 2018, resumed production in September 2018 and started contributing revenue to the Group from December 2018. The revenue from the mining business therefore increased from approximately US\$24.2 million for FY2019 to approximately US\$168.3 million for FY2020. Despite the substantial increase in revenue of the Group, the Group recorded an increase in loss for the year from approximately US\$73.3 million for FY2019 to approximately US\$295.1 million for FY2020. As discussed with the Management, such increase in loss was mainly attributable to (i) a loss on fair value changes of financial assets at fair value through profit or loss (which mainly contributed by (a) shares issued by Evergrande Health Industry Group Limited, a company listed on the Stock Exchange; and (b) notes issued by China Evergrande Group, which is a property investment company in the PRC, and traded on Singapore Exchange OTC market, further details are disclosed in the paragraph headed "(b) Market outlook" below) of approximately US\$148.8 million for FY2020 (as compared with US\$33.1 million for FY2019) as a result of the significant fluctuation of the financial market during the financial year. Factors causing such fluctuation included the ongoing trade disputes between the United States and the PRC, social unrest in Hong Kong and the COVID-19 pandemic; and (ii) a non-cash impairment loss on property, plant and equipment and right-of-use assets of approximately US\$93.8 million for FY2020 (as compared with nil for FY2019), which was due to the continuing outbreak of COVID-19 pandemic, the global steel demand significantly reduced and thus the demand for coking coal was adversely affected in steel-making industries. Thus the price of coking coal decreased which was an indicator that the mining assets may be impaired under the Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Segment revenue, results, assets and liabilities

	Segment revenue		Segment results	
	For the year ended		For the year ended	
	31 March		31 March	
	2020	2019	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>(restated)</i>		<i>(restated)</i>
Mining business	168,313	24,151	(112,023)	(9,569)
Investment in financial instruments	22,950	15,375	(122,725)	(22,719)
Property investment	2,860	3,003	355	2,236
Money lending	<u>2,234</u>	<u>9,525</u>	<u>1,944</u>	<u>9,444</u>
Total	<u><u>196,357</u></u>	<u><u>52,054</u></u>	<u><u>(232,449)</u></u>	<u><u>(20,608)</u></u>
	Segment assets		Segment liabilities	
	As at 31 March		As at 31 March	
	2020	2019	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>(restated)</i>		<i>(restated)</i>
Mining business	420,841	561,535	525,748	515,067
Investment in financial instruments	378,316	425,306	30,213	—
Property investment	52,591	54,454	11,195	13,257
Money lending	<u>37,853</u>	<u>31,957</u>	<u>—</u>	<u>985</u>
	<u><u>889,601</u></u>	<u><u>1,073,252</u></u>	<u><u>567,156</u></u>	<u><u>529,309</u></u>
Assets/liabilities relating to discontinued operations	—	36,347	—	40,034
Unallocated assets/liabilities	<u>62,941</u>	<u>133,734</u>	<u>6,875</u>	<u>1,575</u>
Total	<u><u>952,542</u></u>	<u><u>1,243,333</u></u>	<u><u>574,031</u></u>	<u><u>570,918</u></u>

Mining business

As mentioned above, the mining business of the Group recorded substantial increase in revenue after resumption of production of the Coal Mine in September 2018 which started contributing revenue to the Group from December 2018. Nevertheless, the segment recorded substantial increase of approximately 10.7 times in segment loss from approximately US\$9.6 million for FY2019 to approximately US\$112.0 million for FY2020, which was mainly attributable to the aforesaid non-cash impairment loss on property, plant and equipment and right-of-use assets of approximately US\$93.8 million for FY2020.

We have discussed with the Management regarding the aforesaid non-cash impairment loss on property, plant and equipment and right-of-use assets related to the mining assets. According to AR2020, we understand that in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), it is the accounting policies that at the end of the reporting period, the Group reviews the carrying amounts of its mining assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant assets must be assessed in order to determine the extent of the impairment loss, if any. The recoverable amount of mining assets is assessed individually. When it is not possible to assess the recoverable amount of an asset individually, the Group determines the recoverable amount of the cash-generating unit (“**CGU**”) to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

According to the Management, due to the continuing outbreak of COVID-19 pandemic, the global steel demand significantly reduced and thus the demand for coking coal was adversely affected in steelmaking industries. In around May 2020, in the course of discussion with the auditors of the Company (the “**Auditors**”) regarding the audit matters for the year ended 31 March 2020, it came to the attention of the Management that the S&P Global Platts Premium Low Volatile Coal FOB Australia price remained at a level which was below the lower end of the price range of US\$145 to US\$165 per metric tonne used by the consultant in the valuation report dated 15 February 2018 (the “**Valuation Report**”) as included in the circular of the Company dated 8 March 2018 in relation to the acquisition of the Coal Mine (the “**VSA Circular**”). After further discussion with the Auditors in regard to the indication of impairment of value of the Coal Mine according to HKAS 36, the Management considered that the aforesaid factors are indicators that the value of the Coal Mine may be required to be impaired. The Management conducted an impairment assessment and determined the recoverable amount of the Coal Mine as at 31 March 2020 accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management and AR2020, the impairment assessment was conducted by the Management in accordance with HKAS 36 and the aforementioned accounting policies. The Group estimated the recoverable amount of the CGUs of mining business segment to which the asset belongs when it is not possible to estimate the recoverable amount individually. For the purpose of impairment testing, the assets and liabilities of the Group's mining operations were allocated into CGUs under CST Canada Coal Limited ("CST Coal"), which represented subsidiary in the mining operation segment to determine their recoverable amounts. The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the Management covering the life of Coal Mine with zero growth rate and a pre-tax discount rate of 12% as at 31 March 2020. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and Management's expectations for the market development. In preparing the cash flow projections, Management made reference to the latest verified levels of mineral reserves, the production cost projection and the future production capacity according to the resources and reserve update report dated 31 March 2020.

According to the Management, we understand that the aforesaid value in use calculation as at 31 March 2020 which uses cash flow projections adopts the same model as that used in the Valuation Report. There was no material change in the value of inputs or key assumptions adopted in the value in use calculation as compared to those used in the Valuation Report except the downward adjusted long-term price of coking coal, leading to a decreased recoverable amount and hence the impairment loss.

Furthermore, according to AR2020 and as discussed with the Management, save for outbreak of COVID-19 pandemic that led to operations of the Coal Mine having been suspended by the Company, there are no other event since 31 March 2020 and up to the Latest Practicable Date that may possibly have effect on the mining business and its fair value. Nevertheless, the effect of outbreak of COVID-19 pandemic has already been taken into consideration in the aforesaid impairment assessment conducted by the Management.

According to the Management, HKAS 36 does not indicate whether it is necessary to engage independent valuer for valuation of property, plant and equipment and right-to-use assets for impairment purpose. As such, the Management did not engage independent valuer for valuation of the mining assets but has followed the guidance under HKAS 36 for the impairment assessment, which was reviewed by the Auditors. During the review, the Auditors have, among others, (i) assessed the reasonableness of key assumptions; (ii) involved their valuation expert to evaluate the appropriateness of the impairment model and the assumptions and estimates used to calculate the recoverable amount; and (iii) assessed the appropriateness of the estimation of future coal price by reference to historical information and market data. As stated in independent auditor's report contained in AR2020, in the opinion of the Auditors,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the consolidated financial statements in AR2020 give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by the HKICPA.

Having considered the above, including:

- (i) the impairment assessment is conducted by the Management in accordance with applicable accounting standards, i.e. HKAS 36;
- (ii) the value in use calculation used in the impairment assessment adopts the same model as that used in the Valuation Report and there was no material change in the value of inputs or key assumptions except the downward adjustment to the long-term price of coking coal due to the continuing outbreak of COVID-19 pandemic;
- (iii) the impairment assessment on the value of property, plant and equipment and rights-of-use assets as at 31 March 2020 has taken into account event which is relevant to the fair value of the mining business of the Group since 31 March 2020 and up to the Latest Practicable Date, i.e. the suspension of operation of the Coal Mine due to the outbreak of COVID-19 pandemic;
- (iv) the Management did not engage independent valuer for valuation of the mining assets but has followed the guidance under HKAS 36 for the impairment assessment, which was reviewed by the Auditors; and
- (v) the Auditors have reviewed the impairment assessment and do not have opinion thereon,

we consider and concur the view of the Management that the impairment loss and its amount are fair and reasonable and the carrying amount of segment assets of the mining business as at 31 March 2020 as shown in AR2020 can reflect its fair value. Accordingly, we are of the view and concur with the view of the Management that it is not necessary to have a separate valuation report by an independent valuer for the segment assets of the mining business.

Investment in financial instruments

The investment in financial instruments segment recorded an increase in revenue from approximately US\$15.4 million for FY2019 to approximately US\$23.0 million for FY2020, representing an increase of approximately 49.4%. Such increase was mainly attributable to the increase in interest income from investments in debt securities. However, due to the fluctuation of financial market which was affected by factors such as the ongoing trade disputes, social unrest in Hong Kong and the COVID-19 pandemic, the Group recorded a loss on fair value changes of financial assets at fair value through profit or loss of approximately US\$148.8 million for FY2020. Therefore the segment recorded a substantial increase in segment loss of approximately 4.4 times from approximately US\$22.7 million for FY2019 to approximately US\$122.7 million for FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Property investment

Revenue from the property investment segment was relatively stable, amounting to approximately US\$2.9 million for FY2020 as compared with approximately US\$3.0 million for FY2019. Meanwhile, the segment recorded a decrease in segment profit from approximately US\$2.2 million for FY2019 to approximately US\$0.4 million for FY2020 which, according to the Management, was mainly due to the decrease of fair value of investment properties during the financial year.

Money lending

The money lending segment recorded decrease in both revenue and segment profit, from approximately US\$9.5 million and US\$9.4 million respectively for FY2019 to approximately US\$2.2 million and US\$1.9 million respectively for FY2020. As disclosed in AR2020, such decrease was mainly attributable to the Group adopting a more cautious and prudent approach given the economy of Hong Kong on a downward trend due to the social unrest as well as the outbreak of COVID-19.

Set out below is a summary of the Group's financial position as at 31 March 2019 and 31 March 2020 as extracted from the AR2020.

Financial position of the Group

	As at 31 March	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
		<i>(restated)</i>
Bank balances and cash	61,877	124,159
Current assets	437,112	545,827
Current liabilities	90,268	67,238
Net current assets	346,844	478,589
Total assets	952,542	1,243,333
Net assets	378,511	672,415

Regarding the financial position of the Group, the bank balances and cash of the Group amounted to approximately US\$61.9 million as at 31 March 2020, representing a decrease of approximately 50.2% as compared with that of approximately US\$124.2 million as at 31 March 2019. As discussed with the Management, such decrease was mainly attributable to the increase in net cash used in operating activities during FY2020 as compared with FY2019.

The net current assets of the Group amounted to approximately US\$346.8 million as at 31 March 2020, which consisted mainly of (i) financial assets at fair value through profit or loss of approximately US\$289.2 million; (ii) bank balances

and cash of approximately US\$61.9 million; (iii) receivables (being trade, loan and other receivables) of approximately US\$60.0 million; minus (iv) guarantee liability of approximately US\$40.1 million; and (v) bank borrowings due within one year of approximately US\$31.5 million. Such amount of net current assets of the Group represents a decrease of approximately 27.5% as compared with that of approximately US\$478.6 million as at 31 March 2019. As discussed with the Management, such decrease was mainly attributable to (i) the decrease in financial assets at fair value through profit or loss classified as current assets of approximately US\$65.9 million due to the fluctuations in the financial markets; (ii) decrease in bank balances and cash of approximately US\$62.3 million; and (iii) increase in bank borrowings due within one year of approximately US\$30.2 million.

Net assets of the Group also decrease from approximately US\$672.4 million as at 31 March 2019 to approximately US\$378.5 million as at 31 March 2020. According to the Management, in addition to the aforementioned decrease in net current assets, another reason for the decrease was the decrease in property, plant and equipment and rights-of-use assets of approximately US\$146.0 million, which in turn was mainly due to the non-cash impairment loss as detailed above and the relevant depreciation.

The gearing ratio of the Group (which is based on the balance of all outstanding loans and borrowings from financial institutions and total equity) increased from approximately 64.9% as at 31 March 2019 to approximately 123.6% as at 31 March 2020. Such increase in gearing ratio was mainly due to the decrease in net assets as explained above.

(b) Market outlook

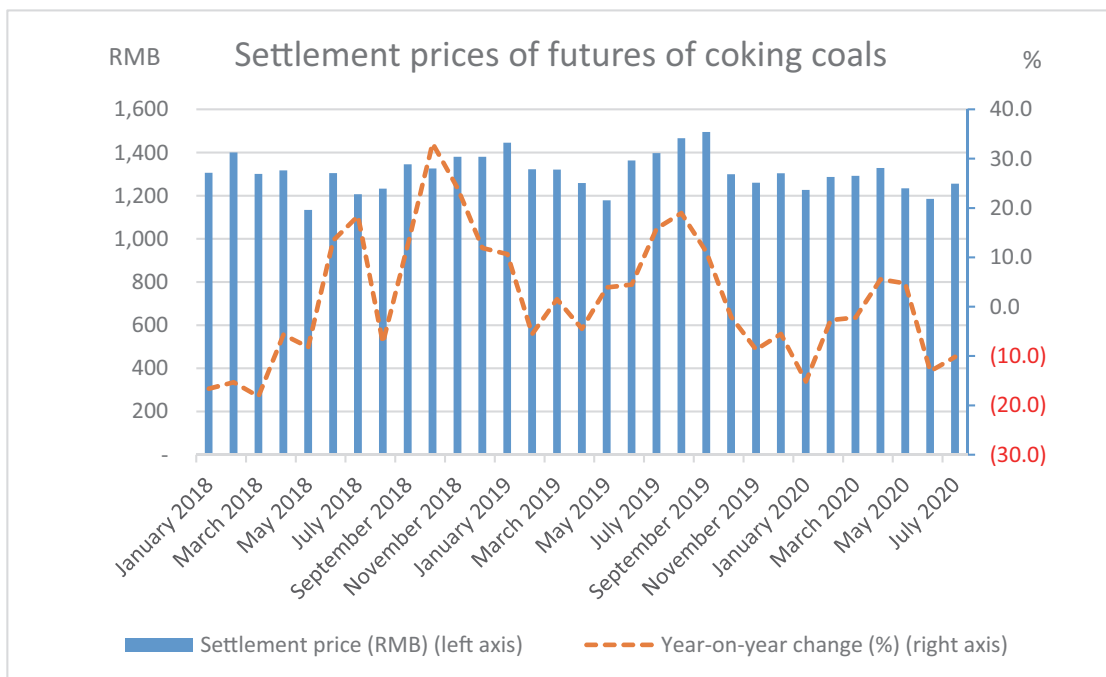
As stated in the paragraph headed “(a) Financial information of the Group” above and as discussed with the management of the Company, we understand that the majority of the revenue of the Group for FY2020 was driven by the mining business, contributing to approximately 85.7% of the total revenue of the Group. As stated in the AR2020, the Group through its subsidiary CST Coal acquired mining assets of Grande Cache Coal LP (“GCC”) in Canada from the receiver in 2018 (the “Acquisition”). As stated in the VSA Circular, we understand that the Coal Mine is located in West Central Alberta, Canada. The operation of Coal Mine had been suspended since December 2015 and was resumed following completion of the Acquisition in July 2018. As stated in the VSA Circular, principal product from the Coal Mine is hard coking coal.

As discussed with the Management, we are advised that the Group sells their hard coking coal with reference to the S&P Global Platts Premium Low Volatile Coal FOB Australia price provided by S&P Global Platts, which is the commonly-used benchmark price for the market. According to the website of S&P Global Platts (www.spglobal.com/platts/en/about), we noted that S&P Global Platts is a division of S&P Global, the world’s provider of ratings, benchmarks and analytics in the global

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

capital and commodity markets, and is an independent provider of information, benchmark prices and analytics for energy and commodities markets. We are aware that the aforesaid price has been in a downward trend since July 2019, which coincided with the average price of hard coking coal sold by the Group, being approximately US\$169.8 per tonne for FY2019 to approximately US\$126.7 per tonne for FY2020 as calculated from the relevant data from AR2020.

Based on the financial information provided by the Management, we understand that approximately 77.9% of the total sales of the Group in mining business segment for FY2020 were to customers in the PRC. Accordingly, we have studied the coal market in the PRC to understand the prospect of the Group's coal mining business. While we attempted to search for statistics directly related to the coking coal in the PRC, such as the demand and supply data, we were not aware of any public or official data openly available. As such, we have resorted to review (i) the settlement price of futures of coking coal (which is settled by physical delivery) in Dalian Commodity Exchange (one of the four commodity exchanges in the PRC and the only one which currently has futures for coking coal); and (ii) statistics related to the import of coking coal in the PRC. We consider that while the settlement prices of these futures might not directly reflect the price of the coking coal sold by the Group as the coking coals underlying the futures are domestic instead of imported coking coal, the fluctuation in the settlement price may nevertheless crosscheck the decreasing trend in coking coal price and may imply the demand for coking coal in the PRC. Details of the foregoing are as follows:



Source: Website of Dalian Commodity Exchange (<http://www.dce.com.cn>)

Note: The settlement price for a given month in the graph refers to that of the futures at expiry which expired on that month.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that both the settlement prices of the futures (left axis) and hence the year-on-year change (right axis) fluctuated for the period from January 2018 to July 2018. Nevertheless, we noted that negative changes were recorded for eight out of the recent twelve months (August 2019 to July 2020) and for five out of the seven months in year 2020. This reflected a recent decreasing trend in the settlement price of coking coal futures. As explained above, while the Group priced their hard coking coal with reference to the Premium HCC Hard coking coal spot price provided by S&P Global Platts, we consider that the above settlement prices serve as additional information to support the decreasing trend in hard coking coal price.

The statistics relating to import of coking coal in the PRC are as follows:

Year	2015	2016	2017	2018	2019
Coking coal					
Import volume (<i>million tons</i>)	47.8	59.2	69.4	64.9	74.5
% change	-23.3%	23.8%	17.1%	-6.4%	14.8%
Import value (<i>billion RMB</i>)	23.6	31.2	63.2	62.2	70.7
% change	-41.2%	32.2%	102.8%	-1.6%	13.5%
Average price (<i>RMB/ton</i>)	493.3	526.5	912.0	959.0	948.4
% change	-23.4%	6.7%	73.2%	5.2%	-1.1%

Source: Website of General Administration of Customs of the PRC (<http://www.customs.gov.cn/>)

According to the latest statistics available from General Administration of Customs of the PRC, where import statistics of coking coal are available up to 2019, we note that the import volume of coking coal of the PRC was in a general increasing trend for the period from 2015 to 2019. Notwithstanding the general increasing trend of import volume of coking coal, we noted that the increasing rate was lower year by year, i.e. apart from 2018 which recorded a negative percentage change of approximately 6.4%, the percentage change decreased from approximately 23.8% for 2016 to approximately 17.1% for 2017 and further to approximately 14.8% for 2019. In addition, the increase in average price slowed down significantly from approximately 73.2% in 2017 to approximately 5.2% in 2018, and the average price decreased by approximately 1.1% in 2019. This trend of average price of import of coking coal also coincided with the aforesaid decreasing trend of Premium HCC Hard coking coal spot price provided by S&P Global Platts.

Furthermore, due to outbreak of COVID-19 pandemic, operations of the Coal Mine have been suspended by the Company in accordance with applicable public health guidelines, and to prevent an outbreak of COVID-19 among the workforce at the Coal Mine and in the remote community, the Coal Mine has been placed into care and maintenance status. As discussed with the Management, we understand that starting from July 2020, no more revenue from mining will be generated from the mining business of the Group unless the operations can be resumed when the impact of the COVID-19 pandemic lessens.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account the impairment loss related to the mining business as detailed above as well as the latest market trend, in particular (i) the frequent negative changes of settlement price of coking coal futures on Dalian Commodity Exchange in recent months; and (ii) the significant slowdown of growth in 2018 and then a decrease in 2019 in average prices of imported coking coal of the PRC, we consider that the outlook of the mining business remained uncertain.

In addition, the financial performance of the Group was also heavily impacted by the investment in financial instruments segment, since the loss on fair value changes of financial assets at fair value through profit or loss from this segment amounted to approximately US\$148.8 million for FY2020, which offset approximately 75.8% of the revenue of the Group. According to the Management, the Company invested in a wide variety of financial instruments, including but not limited to equity securities listed in Hong Kong, notes traded on Singapore Exchange OTC market, funds investing in Asia or Asia-Pacific securities market, etc. In particular, as disclosed in AR2020, certain sizeable financial assets as at 31 March 2020 included (a) shares issued by Evergrande Health Industry Group Limited, a company listed on the Stock Exchange; (b) notes issued by China Evergrande Group, which is a property investment company in the PRC, or its subsidiary and traded on Singapore Exchange OTC market; and (c) two credit oriented hedge funds, namely Nexus Asian Hybrid Credit Fund Series 1 and Nexus Emerging Opportunities Fund ROM Segregated Portfolio. Given such a wide variety in terms of nature of financial product, business of the companies which are the issuers of the relevant securities, or region of investment opportunities, it is not possible to analyse any particular industry or region to have a complete outlook for this business segment.

Nevertheless, we consider that the global economy and the performance of capital market will still be heavily impacted by the ongoing trade disputes between the United States and the PRC as well as the COVID-19 pandemic. In particular, the trade war between the United States and the PRC, being two of the largest economies, has commenced since around 2018, with first wave of tariff imposed by the United States on imports from the PRC came into effect in July 2018. Both of the two nations have introduced different trade restrictions and levies, which have affected companies carrying out business in the relevant regions. The social unrest in Hong Kong since mid-2019 and the reactions of the Hong Kong government have also been taken into consideration by the United States in altering its trade policy. The trade dispute is still ongoing to this day and the development of which is unpredictable.

Meanwhile, due to the outbreak of COVID-19 pandemic, there have been millions of cases of COVID-19 reported across countries around the world, resulting in hundreds of thousands of deaths. The pandemic caused a global economic disruption, which has shaken investor confidence, causing volatility in the global financial market. It remains uncertain when and how the pandemic will come to an end and societal and economic environment will return to normal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The funds subscribed by the Group may or may not invest in companies that carry out business in the United States or the PRC, the business of China Evergrande Group, being a property investment company in the PRC, may not be directly affected by the trade war, and the social unrest in Hong Kong may not have immediate and direct impact on the performance of the funds or China Evergrande Group. As such, the above events (i.e. trade war, social unrest in Hong Kong and COVID-19 pandemic) may or may not directly affect the financial performance of the financial assets held by the Group. Nevertheless, we consider that these events have caused volatility in the global financial markets and dampened the investor confidence, which may cause price fluctuation of the investment held by the Group in the open market.

(c) Our view regarding the financial and trading position of the Group

As detailed in the paragraphs above, the Group has been in a loss making position for the latest two financial years (i.e. FY2019 and FY2020), and the situation deteriorated in FY2020 as the loss for the year increased substantially. The financial performance of the Group in the near future, including both the mining business and investment in financial instruments segment, will be dampened by the trade disputes between the United States and the PRC as well as the COVID-19 pandemic, and hence prospect of the Group remains dubious.

2. Information on the Offeror and the Offeror's intention regarding the Group

(a) Information on the Offeror

As stated in the "Letter from Get Nice Securities", the Offeror is an investment holding company incorporated in the BVI with limited liability.

As at the Latest Practicable Date, the Offeror is wholly-owned by Mr. Chiu, who is the sole director of the Offeror. Mr. Chiu, aged 64, was appointed as the chairman and an executive Director of the Company on 10 March 2009 and 7 November 2008, respectively. Mr. Chiu is an experienced executive and merchant. He has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management. Mr. Chiu was the chairman during the period from 19 August 2009 to 15 June 2018, the acting chief executive officer during the period from 30 June 2015 to 15 June 2018 and an executive director during the period from 22 July 2009 to 15 June 2018 of G-Resources Group Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 1051).

(b) Intention of the Offeror on the Group

As stated in the "Letter from Get Nice Securities", following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the Offer. As at the Latest Practicable Date, no investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to (a) the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

injection of any assets or business into the Group or (b) the disposal of any assets or business of the Group, other than those conducted by the Company in its ordinary course of business and/or those which are immaterial in nature.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

(c) Maintenance of the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

(d) Compulsory acquisition

As stated in the “Letter from Get Nice Securities”, the Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offer.

(e) Our view

We noted that the Offeror intends that the Group will continue with its existing principal activities after the close of the Offer, and the Offeror has no intention to introduce any major changes in the existing operations and business of the Group as at the Latest Practicable Date. The sole director of the Offeror is Mr. Chiu, who has been the chairman and an executive Director of the Company since March 2009 and November 2008 respectively. Mr. Chiu is an experienced executive and merchant, and has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management. Given Offeror’s current intention and Mr. Chiu’s background, experience and involvement in the Group, we expect that there would not be substantial change in the business and financial performance of the Group as a direct result of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Offer

As stated in the “Letter from Get Nice Securities”, Get Nice Securities, for and on behalf of the Offeror, is making a voluntary conditional cash offer to acquire all the Offer Shares on the following basis:

For each Offer Share HK\$0.028 in cash

The Offer will be extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any recommended, declared, made or paid on or after the date of despatch of the Composite Document.

(a) Comparison of value

The Offer Price of HK\$0.028 per Offer Share represents:

- (i) represents a premium of approximately 7.69% over the closing price of HK\$0.026 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) represents a premium of 12% over the closing price of HK\$0.025 per Share quoted on the Stock Exchange on the Last Trading Day;
- (iii) represents a premium of approximately 16.67% over the average closing price of HK\$0.024 per Share quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) represents a premium of approximately 21.74% over the average closing price of HK\$0.023 per Share quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) represents a premium of approximately 25.56% over the average closing price of approximately HK\$0.0223 per Share quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) represents a discount of approximately 64.82% to the audited consolidated net assets attributable to the Shareholders per Share of approximately US\$0.0102 (equivalent to approximately HK\$0.0796) as at 31 March 2020, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately US\$395,166,000 (equivalent to approximately HK\$3,082,294,800) as at 31 March 2020 and 38,698,308,961 Shares in issue as at Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Condition to the Offer

As stated in the “Letter from Get Nice Securities”, the Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in the Company.

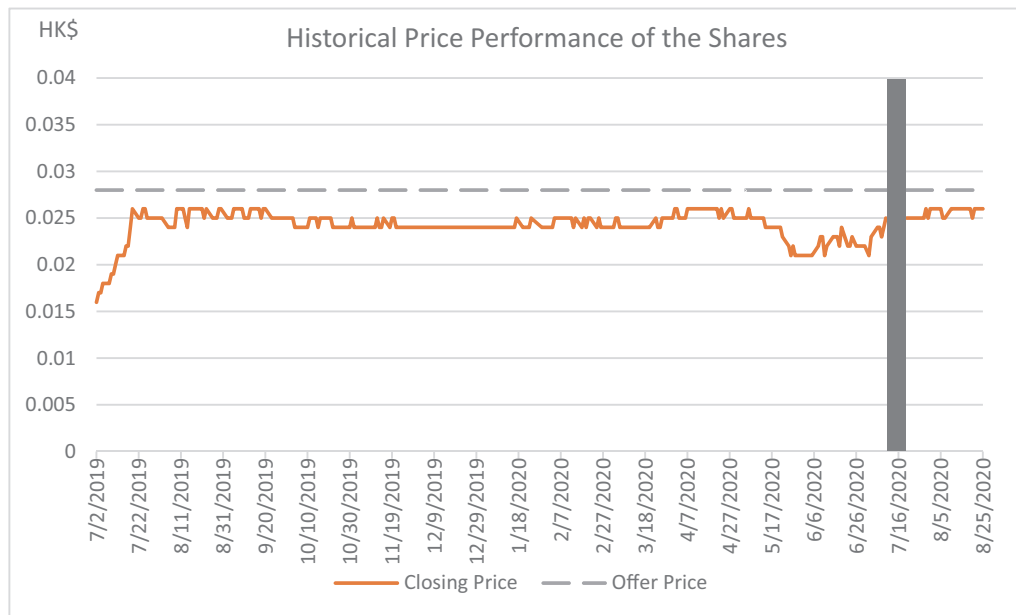
In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code.

4. Analysis of the Offer Price

(a) Historical price performance of the Shares

The graph below shows the Offer Price and the movement of the closing prices of the Shares during the period from 2 July 2019, being the first date of the twelfth month prior to the Last Trading Day (being the left side of the shaded area), to the Latest Practicable Date (the “**Review Period**”).



Source: Website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the graph above, the closing prices of the Shares followed a general increasing trend in early July 2019 and were relatively stable at the level from HK\$0.024 to HK\$0.026 per Share until mid-May 2020. The closing prices of the Shares then dropped to as low as HK\$0.021 per Share on 28 May 2020 and fluctuated in a larger range until the Last Trading Day. Trading of the Shares was suspended from the Last Trading Day up to and including 17 July 2020, which was indicated by the shaded area in the graph above. Subsequent to the resumption of the trading of the Shares on 20 July 2020, the closing prices of the Shares remained stable around HK\$0.025 per Share. During the Review Period, the closing prices of the Shares ranged from the highest of HK\$0.026 recorded on 52 trading days during the Review Period to the lowest of HK\$0.016 per Share recorded on 2 July 2019, with an average of approximately HK\$0.0243 per Share. The Offer Price of HK\$0.028 per Share was above the closing prices of the Shares throughout the Review Period of 283 trading days and represents (i) a premium of approximately 7.7% over highest closing price of HK\$0.026 per Share during the Review Period; (ii) a premium of approximately 75.0% over the lowest closing price of HK\$0.016 per Share during the Review Period; and (iii) a premium of approximately 15.2% over the average closing price of approximately HK\$0.0243 per Share during the Review Period.

In addition, based on the relevant annual reports of the Company, we noted that the consolidated net assets attributable to the Shareholders per Share (the “NAV”) was approximately US\$0.0173 and US\$0.0102 per Share (equivalent to approximately HK\$0.1349 and HK\$0.0796 respectively) as at 31 March 2019 and 31 March 2020 respectively. Accordingly, the closing prices of the Shares ranging from HK\$0.016 to HK\$0.026 have always been well below the NAV throughout the Review Period of 283 trading days, with range of discounts from approximately 67.4% (represented by the highest closing price of HK\$0.026 to the lowest NAV of approximately HK\$0.0796 per Share) to 88.1% (represented by the lowest closing price of HK\$0.016 to the highest NAV of approximately HK\$0.1349 per Share). Notwithstanding the relatively thin trading volume of the Shares in the Review Period as detailed in the paragraph headed “(b) Historical trading liquidity of the Shares” below, having considered that the closing prices of the Shares have consistently represented substantial discount to the NAV throughout the Review Period, it may imply that the Shareholders and investors in the stock market may not value the Shares based solely on the NAV or at all, but instead take into account other fundamentals of the Group (such as business and financial performance) as well as the future prospects in deciding the trading price of the Shares. Accordingly, we consider that the trading price of the Shares is a more appropriate indicator of the fair value of the Shares than the NAV when considering realisation of the investment in the Shares, and it is justifiable to consider that fairness and reasonableness of the Offer Price by making reference to the historical price performance of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Historical trading liquidity of the Shares

The following table sets out the historical trading liquidity of the Shares during the Review Period:

Month/Period	Total trading volume <i>(Shares)</i>	Average daily trading volume <i>(Note 1)</i> <i>(Shares)</i>	Percentage of average daily trading volume to total number of issued Shares <i>(%)</i>	Percentage of average daily trading volume to the total number of issued Shares held by public Shareholders <i>(Note 2)</i> <i>(%)</i>
2019				
July	665,138,180	30,233,554	0.08	0.10
August	548,712,820	24,941,492	0.06	0.08
September	134,018,300	6,381,824	0.02	0.02
October	677,220,570	32,248,599	0.08	0.11
November	138,940,770	6,616,227	0.02	0.02
December	162,860,410	8,143,021	0.02	0.03
2020				
January	369,368,840	18,468,442	0.05	0.06
February	151,513,400	7,575,670	0.02	0.03
March	722,565,480	32,843,885	0.08	0.11
April	224,934,970	11,838,683	0.03	0.04
May	970,782,740	48,539,137	0.13	0.16
June	147,209,860	7,009,993	0.02	0.02
July	340,858,070	20,050,475	0.05	0.07
August (up to and including the Latest Practicable Date)	146,038,419	8,590,495	0.02	0.03
Review Period	5,400,162,829	19,081,847	0.05	0.06

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the corresponding number of trading days of that month/period.
2. It is calculated by dividing the average daily trading volume of the Shares by the total issued share capital of the Company held by public Shareholders (i.e. excluding the Shares held by the then substantial Shareholders of the Company) at the end of each month or as at the Latest Practicable Date, where applicable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As depicted above, during the Review Period, the average daily trading volume represents approximately 0.02% to 0.16% of the total number of Shares in issue held by public Shareholders at the end of the respective month. The average daily trading volume of the Shares on the Stock Exchange during the Review Period was approximately 19,081,847 Shares, representing approximately 0.05% and 0.06% of the Company's existing total issued Shares and total Shares held by the public Shareholders respectively. The trading volume of the Shares was relatively thin during the Review Period.

Given trading of the Shares has been generally inactive, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market, should they wish so, without affecting the price of the Shares.

(c) Comparable analysis

In assessing the fairness and reasonableness of the Offer, we have considered to compare the price-to-earnings ratio and the price-to-book ratio (“**PB Ratio**”) of the Company with other listed companies in Hong Kong with business similar to that of the Company, which are the most commonly used benchmarks in assessing the financial valuation of a company. Given that the Company was loss making in FY2020, being the latest financial year, price-to-earnings ratio is not applicable. For PB Ratio which compares the market capitalisation with total assets, we note from the AR2020 that mining business segment and investments in financial instruments segment accounted for approximately 44.2% and 39.7% of the total assets of the Group respectively as at 31 March 2020. We have attempted to search for companies listed on the Stock Exchange which are principally engaged in business and have segment assets similar to the Group (i.e. both coal mining and investments in financial instruments), but identified none that fulfils the above criteria to conduct a fair comparison. Accordingly, we have resorted to search for two groups of companies listed on the Stock Exchange (the “**Comparable Companies**”), where one group is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

principally engaged in coal mining (the “**Coal Comparable Companies**”) and the other group is principally engaged in investments in financial instruments (the “**Investment Comparable Companies**”), and compare the PB Ratio separately. The exhaustive list of the Coal Comparable Companies is as set out below:

Stock No.	Code	Company name	Principal business	Closing price (HK\$) (Note 1)	Market Capitalisation (HK\$ million) (Note 1)	Net asset per share (HK\$) (Note 2)	Loss making (Note 3)	PB Ratio (Note 4)
1.	65	Grand Ocean Advanced Resources Company Limited	Manufacture and sales of plastic woven bags, paper bags and plastic barrels; production and sales of coal; provision of low-rank coal upgrading services	0.170	255.6	0.0943	Yes	1.80
2.	276	Mongolia Energy Corporation Limited	Mining of coal, the production and sales of coal products, the provision of coal transportation services, as well as coal processing	1.270	238.9	N/A	No	N/A
3.	578	Rosan Resources Holdings Limited	Production and sales of coal, as well as the trading of coal	0.041	42.6	N/A	Yes	N/A
4.	639	Shougang Fushan Resources Group Ltd	Coking coal mining, production and sales of coking coal products	1.590	8,429.9	2.9578	No	0.54
5.	645	Ares Asia Holdings Limited	Sales of coal	0.300	154.0	0.2043	Yes	1.47
6.	702	Sino Oil And Gas Holdings Limited	Exploitation and sales of oil and gas	0.060	200.7	0.7886	Yes	0.08
7.	704	Huscoke Holdings Limited	Trading of coal; washing of raw coal into refined coal and the sales of electricity and heat	0.080	229.7	0.1886	No	0.42
8.	866	China Qinfa Group Limited	Mining and sales of coal; shipping transportation	0.156	389.0	N/A	No	N/A
9.	975	Mongolian Mining Corporation	Mining, processing, transportation and sales of coal	0.500	514.6	6.5653	No	0.08
10.	1088	China Shenhua Energy Company Limited	Manufacture and sales of coal and electricity, railway and ship transportation, and coal to olefin	13.560	46,084.8	20.5881	No	0.66
11.	1142	Siberian Mining Group Company Limited	Exploration and mining of coal; mineral resources, commodities and other trading in the Republic of Korea as well as business of integration module and gasoline trading	0.550	79.8	N/A	Yes	N/A
12.	1171	Yanzhou Coal Mining Company Limited	Mining, washing, processing and distribution of coal through railway transportation	6.350	12,065.0	12.6705	No	0.50
13.	1229	Nan Nan Resources Enterprise Ltd	Mining and sale of coal; development of solar power farm; provision of information technology outsourcing, consultancy and technical services	0.135	103.3	0.1967	Yes	0.69
14.	1277	Kinetic Mines And Energy Limited	Extraction and sales of coal products	0.315	2,655.5	0.3081	No	1.02

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock No.	Code	Company name	Principal business	Closing price (HK\$) (Note 1)	Market Capitalisation (HK\$ million) (Note 1)	Net asset per share (HK\$) (Note 2)	Loss making (Note 3)	PB Ratio (Note 4)
15.	1393	Hidili Industry International Development Limited	Production and sales of clean coal and by-products	0.175	358.0	0.2921	Yes	0.60
16.	1733	E -Commodities Holdings Limited	Procurement and supply of coking coal	0.188	571.7	1.0724	No	0.18
17.	1738	Feishang Anthracite Resources Limited	Acquisition, development and construction of anthracite coal mines and extraction and sale of anthracite coal	1.000	1,380.5	N/A	Yes	N/A
18.	1878	Southgobi Resources Ltd.	Coal mining, development and exploration	0.495	135.0	N/A	Yes	N/A
19.	1898	China Coal Energy Company Limited	Coal production and distribution; manufacture of coal related equipment; production of electrolytic aluminium and coal gas	2.040	8,377.6	8.4150	No	0.24
20.	2798	Perennial Energy Holdings Limited	Exploration and mining of coking coal and coal washing	3.020	4,832.0	0.8699	No	3.47
21.	3668	Yancoal Australia Ltd	Production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets	13.200	17,429.8	25.1957	No	0.52
22.	3948	Inner Mongolia Yitai Coal Company Limited	Production, transportation and sale of coal, as well as the distribution of petroleum products	5.180	1,688.7	10.0884	No	0.51
23.	6885	Henan Jinma Energy Company Limited	Manufacture and distribution of coke and coking by-products; manufacture of coal gas	2.890	391.4	19.3988	No	0.15
24.	8250	Silk Road Energy Services Group Limited	Provision of the construction engineering of coal mine, the installation of mechanical equipment and coal production and technical services; provision of advertising and public relations services; processing and trading of fluorite products; trading of other mineral products	0.015	112.4	0.0584	Yes	0.26
		Company (implied by the Offer Price)		0.028 (Note 5)	967.5	0.0796	Yes	0.35
		Mean						0.73
		Median (Note 6)						0.34
		Maximum						3.47
		Minimum						0.08

Notes:

- The closing prices of the Coal Comparable Companies are quoted from the Stock Exchange on the Last Trading Day. The market capitalisation is calculated by multiplying the closing prices by the number of issued shares listed on the Stock Exchange of the respective Coal Comparable Companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The net asset per share of the Coal Comparable Companies and the Company are calculated by dividing the latest audited/unaudited net assets attributable to the shareholders (i.e. excluding non-controlling interests) of the respective Coal Comparable Companies by the respective number of issued shares (including both shares listed on the Stock Exchange and domestic shares, if any) as at the Last Trading Day. Those Coal Comparable Companies with net deficiency are denoted by “N/A”.
3. The profit/loss making positions of the Coal Comparable Companies are based on the latest annual reports of the respective Coal Comparable Companies prior to the Last Trading Day.
4. The PB Ratios are calculated by dividing the closing prices by the net asset per share. Those Coal Comparable Companies with net deficiency and hence no defined PB Ratios are denoted by “N/A”.
5. This represents the Offer Price of HK\$0.028.
6. The median also takes into account the 6 Coal Comparable Companies with net deficiency.
7. In this comparable analysis, conversions of RMB, the official currency of the People’s Republic of China, US\$, the official currency of the United States, and A\$, the official currency of Australia, into HK\$ are calculated at the approximate exchange rates of RMB1 to HK\$1.10, US\$1 to HK\$7.80 and A\$1 to HK\$5.4 respectively. These exchange rates are adopted for the purpose of illustration purposes only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.
8. There are three other listed companies which are principally engaged in coal mining but are excluded in this comparable analysis, given that trading of the shares of two of them were suspended as at the Last Trading Day and the remaining one has not published financial information, audited or unaudited, since 15 December 2015.

Source: Website of the Stock Exchange (www.hkex.com.hk)

Based on the table above, we note that 14 out of 24 Coal Comparable Companies have trading prices representing discounts to their net asset value per share (i.e. having a PB Ratio below 1) and 6 out of 24 Coal Comparable Companies have net deficiency. The PB Ratios of all Coal Comparable Companies ranged from 0.08 times to 3.47 times, with a mean and median of approximately 0.73 times and 0.34 times respectively. While the mean of PB Ratios is much higher than the median, on the ground that (i) 6 out of 24 Coal Comparable Companies have net deficiency; and (ii) the calculation of mean PB Ratios ignores the 6 Coal Comparable Companies with net deficiency (as it is impracticable to calculate mean value by negative figure) and hence in inferior financial positions, which in effect skews the average PB Ratio, we consider that the median PB Ratios of the Coal Comparable Companies are more representative and meaningful than the mean. In such case, the PB Ratio implied by the Offer Price (the “**Implied PB Ratio**”) of the Company of approximately 0.35 times is close to the median PB Ratio of the Coal Comparable Companies of approximately 0.34 times.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The exhaustive list of the Investment Comparable Companies is as set out below:

Stock No.	Code	Company name	Principal business	Closing price (HK\$) (Note 1)	Market Capitalisation (HK\$ million) (Note 1)	Net asset per share (HK\$) (Note 2)	Loss making (Note 3)	PB Ratio (Note 4)
1.	53	Guoco Group Limited	Investment and financial businesses	109.100	35,899.5	182.0366	No	0.60
2.	68	Lee Hing Development Limited	Property investment, property development, investment holding, general investment and security dealings	1.900	278.9	5.2546	Yes	0.36
3.	80	China New Economy Fund Limited	Investment	0.180	108.0	0.1024	Yes	1.76
4.	133	China Merchants China Direct Investments Limited	Financial investment	9.790	1,491.3	33.2337	No	0.29
5.	139	Central Wealth Group Holdings Limited	Financial investment and trading, debt and equity investments and money lending business; provision of trading in securities and futures contracts services; leasing of investment properties; trading of electronic and accessory products; corporate income and expense business	0.020	319.4	0.0761	No	0.26
6.	174	Gemini Investments Holdings Ltd	Securities investment; provision of management and administration services for property development projects; investing in real estate fund platform; leasing of office and residential properties; development of properties; sale of residential properties; funds investment	0.470	297.0	8.6180	Yes	0.05
7.	235	China Strategic Holdings Limited	Securities investment, trading of metal minerals and electronic components and money lending	0.037	628.5	0.1984	Yes	0.19
8.	310	Prosperity Investment Holdings Limited	Investment in listed and unlisted companies, as well as the investment in other financial assets	0.020	24.2	0.1166	Yes	0.17
9.	329	Oci International Holdings Ltd	Investment of fixed income products, equity securities and fund; provision of asset management services to qualified corporate, individual and financial institutional professional investors; provision of investment advisory services to clients; trading of wines through online and offline channels	0.450	476.9	0.2169	Yes	2.07
10.	339	Core Economy Investment Group Limited	Investment and trading of listed and unlisted securities in Hong Kong	0.260	52.1	0.1522	Yes	1.71

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Stock Code	Company name	Principal business	Closing price (HK\$) (Note 1)	Market Capitalisation (HK\$ million) (Note 1)	Net asset per share (HK\$) (Note 2)	Loss making (Note 3)	PB Ratio (Note 4)
11.	356	Dt Capital Limited	Securities investment	0.052	118.5	0.0687	Yes	0.76
12.	372	Pt International Development Corporation Ltd.	Provision of loan financing services; investment in convertible notes issued by its associates and other long-term equities; investment in other financial assets and the trading of securities; provision of management services	0.315	635.8	0.2595	Yes	1.21
13.	428	Cocoon Holdings Limited	Investment businesses in Hong Kong	0.285	102.5	0.4607	Yes	0.62
14.	430	Oriental Explorer Holdings Limited	Investment in residential, commercial and industrial properties to generate rental income; trading of securities, securities investment and investment holding	0.087	234.9	0.5368	No	0.16
15.	572	Future World Holdings Ltd	Provision of financing and money lending services; rental of residential properties; investment of securities trading portfolio; sale and purchase of robots and related products; retail of merchandise using the Internet; business of film investment	0.173	109.0	1.4824	Yes	0.12
16.	612	China Ding Yi Feng Holdings Limited	Investment businesses	3.180	4,143.8	0.0675	Yes	47.13
17.	613	Planetree International Development Limited	Holding and trading of debt and equity securities, as well as the provision of financing services; property investment; leasing of properties	1.400	1,306.9	1.7816	No	0.79
18.	666	Shk Hong Kong Industries Limited	Investment in financial tools	0.130	534.5	0.2702	No	0.48
19.	721	China Financial International Investments Limited	Investment in securities	0.220	2,413.8	0.0868	Yes	2.53
20.	768	Uba Investments Limited	Investment in securities	0.038	48.3	0.0892	Yes	0.43
21.	770	Shanghai International Shanghai Growth Investment Limited	Investment in securities	2.574	27.5	2.6653	Yes	0.97
22.	810	China Internet Investment Finance Holdings Limited	Investment in securities; trading of light-emitting diode (LED) lighting products	0.108	101.8	0.1367	Yes	0.79
23.	901	Eagle Ride Investment Holdings Limited	Security investment	0.041	73.9	N/A	Yes	N/A
24.	905	Global Mastermind Capital Limited	Securities investment	0.085	59.5	0.4241	Yes	0.20
25.	913	Unity Investments Holdings Limited	Securities investment	0.153	34.2	1.1861	Yes	0.13
26.	1041	Lamtex Holdings Limited	Securities trading and investment and property investment	0.059	104.4	0.1849	Yes	0.32

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Stock Code	Company name	Principal business	Closing price	Market Capitalisation	Net asset per share	Loss making	PB Ratio
				(HK\$) (Note 1)	(HK\$ million) (Note 1)	(HK\$) (Note 2)	(Note 3)	(Note 4)
27.	1051	G-Resources Group Ltd.	Investment; provision of financial services; investment of property portfolio on commercial properties	0.041	1,109.0	0.4307	No	0.10
28.	1062	China Development Bank International Investment Limited	Investment in equity instruments and other financial instruments	0.200	580.4	0.6197	No	0.32
29.	1140	Op Financial Limited	Investment in listed and unlisted enterprises	0.800	2,320.8	1.4183	Yes	0.56
30.	1160	Youth Champ Financial Group Holdings Limited	Securities investment	1.820	314.5	0.0298	Yes	61.00
31.	1217	China Innovation Investment Limited	Investment in dual usage of military and civil sectors	0.010	128.0	0.0547	No	0.18
32.	1226	China Investment And Finance Group Ltd	Securities trading and investment holding	0.036	81.3	0.0809	Yes	0.44
33.	1227	National Investments Fund Limited	Investment in listed and unlisted companies	0.049	44.8	N/A	Yes	N/A
34.	2312	China Financial Leasing Group Limited	Investment in listed and unlisted securities	0.085	163.9	0.0359	Yes	2.37
35.	2324	Capital VC Limited	Investment in listed and unlisted companies	0.021	57.9	0.1772	Yes	0.12
36.	2799	China Huarong Asset Management Co., Ltd.	Asset management	1.040	26,045.6	3.4140	No	0.30
		Company (implied by the Offer Price)		0.028 (Note 5)	967.5	0.0796	Yes	0.35
		Mean						3.81
		Median (Note 6)						0.39
		Maximum						61.00
		Minimum						0.05

Notes:

1. The closing prices of the Investment Comparable Companies are quoted from the Stock Exchange on the Last Trading Day. The market capitalisation is calculated by multiplying the closing prices by the number of issued shares listed on the Stock Exchange of the respective Investment Comparable Companies.
2. The net asset per share of the Investment Comparable Companies and the Company are calculated by dividing the latest audited/unaudited net assets attributable to the shareholders (i.e. excluding non-controlling interests) of the respective Investment Comparable Companies by the respective number of issued shares (including both shares listed on the Stock Exchange and domestic shares, if any) as at the Last Trading Day. Those Investment Comparable Companies with net deficiency are denoted by “N/A”.
3. The profit/loss making positions of the Investment Comparable Companies are based on the latest annual reports of the respective Investment Comparable Companies prior to the Last Trading Day.
4. The PB Ratios are calculated by dividing the closing prices by the net asset per share. Those Investment Comparable Companies with net deficiency and hence no defined PB Ratios are denoted by “N/A”.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. This represents the Offer Price of HK\$0.028.
6. The median also takes into account the 2 Investment Comparable Companies with net deficiency.
7. In this comparable analysis, conversions of RMB, the official currency of the People's Republic of China, and US\$, the official currency of the United States, into HK\$ are calculated at the approximate exchange rates of RMB1 to HK\$1.10 and US\$1 to HK\$7.80 respectively. These exchange rates are adopted for the purpose of illustration purposes only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.
8. There are three other listed companies which are principally engaged in investment in financial instruments but are excluded in this comparable analysis, given that trading of the shares of all of them were suspended as at the Last Trading Day.

Source: Website of the Stock Exchange (www.hkex.com.hk)

Based on the table above, we note that 26 out of 36 Investment Comparable Companies have trading prices representing discounts to their net asset value per share (i.e. having a PB Ratio below 1) and 2 out of 36 Investment Comparable Companies have net deficiency. The PB Ratios of all Investment Comparable Companies range from 0.05 times to 61.00 times, with a mean and median of approximately 3.81 times and 0.39 times respectively. While the mean of PB Ratios is much higher than the median, on the ground that (i) 2 out of 36 Investment Comparable Companies have net deficiency and are excluded from the calculation of mean PB Ratios; and (ii) two of the Investment Comparable Companies have extreme PB Ratios of approximately 47.13 times and 61.00 times respectively whereas the rest have PB Ratios of not more than 3 times, we consider that the median PB Ratios of the Investment Comparable Companies are more representative and meaningful than the mean. In such case, the implied PB Ratio of the Company of approximately 0.35 times is close to the median PB Ratio of the Investment Comparable Companies of approximately 0.39 times.

Taking into consideration that

- (i) the market capitalisations of the Comparable Companies are different from that of the Company;
- (ii) some of the Comparable Companies are profit making according to their latest financial information; and
- (iii) the assets of the Group are mainly attributable to the mining business segment and investments in financial instruments segment, whereas the assets of the Comparable Companies are more focused on either coal mining or investments in financial instruments but not both,

we are of the view that the above comparable analysis may not serve as a representative indication in regard to the Offer Price but is still relevant information for Independent Shareholders' consideration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

While we have also attempted to compare the terms of the Offer with offers for other listed companies, those listed companies identified are engaged in different business and/or have different financial performance from the Company, and thus we consider that no meaningful comparable analysis can be conducted in this regard.

(e) Our view

Despite the Offer Price currently representing a discount of approximately 64.82% to the NAV of approximately US\$0.0102 (equivalent to approximately HK\$0.0796) as at 31 March 2020, having considered that

- (i) the closing prices of the Shares have always represented significant discounts ranging from approximately 67.4% to 88.1% to the NAV throughout the Review Period, which may imply that the Shareholders and investors in the stock market may not value the Shares based solely on the NAV or at all, but instead take into account other fundamentals of the Group (such as business and financial performance) as well as the future prospects in deciding the trading price of the Shares;
- (ii) the Offer Price was above the closing prices of the Shares throughout the Review Period of 283 trading days, and represents a premium of approximately 15.2% over the average closing price of approximately HK\$0.0243 per Share during the Review Period and a premium of approximately 12% over the closing price of the Shares on the Last Trading Day; and
- (iii) given that trading of the Shares has been inactive in the Review Period prior to the publication of the Joint Announcement, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without affecting the price of the Shares. Hence, the Offer provides an assured opportunity for Independent Shareholders to realise their investment in the Shares without creating a significant downward pressure on the trading price of the Shares,

we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

In arriving at our recommendation regarding the terms of the Offer, despite the Offer Price currently representing a discount of approximately 64.82% to the NAV of approximately US\$0.0102 (equivalent to approximately HK\$0.0796) as at 31 March 2020, having taken into account all the principal factors considered in the sections above, including:

- (i) Given Offeror's current intention and Mr. Chiu's background, experience and involvement in the Group, we expect that there would not be substantial change in the business of the Group as a direct result of the Offer;
- (ii) Given the continuous loss making position of the Group for the latest two financial years, the impairment loss related to the mining business and the ongoing uncertainties caused by global economic environment and outbreak of COVID-19 pandemic which affect both the mining business and investment in financial instruments segment, the prospect of the Group remains dubious;
- (iii) the closing prices of the Shares have always represented significant discounts ranging from approximately 67.4% to 88.1% to the NAV throughout the Review Period, which may imply that the Shareholders and investors in the stock market may not value the Shares based solely on the NAV or at all, but instead take into account other fundamentals of the Group (such as business and financial performance) as well as the future prospects in deciding the trading price of the Shares; and
- (iv) the Offer Price was above the closing prices of the Shares throughout the Review Period of 283 trading days, and represents a premium of approximately 15.2% over the average closing price of approximately HK0.0243 per Share during the Review Period and a premium of approximately 12% over the closing price of the Shares on the Last Trading Day; and
- (v) given that trading of the Shares has been generally inactive in the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without affecting the price of the Shares. Hence, the Offer provides an assured opportunity for Independent Shareholders to realise their investment in the Shares without creating a significant downward pressure on the trading price of the Shares,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nevertheless, the Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances, consider selling the Shares in the open market instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would be higher than that receivable under the Offer.

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Executive Director

Kevin Wong
Vice President

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 17 years of experience in corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE

- (i) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (ii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (iii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (a) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/

custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (d) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

- (iv) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed, signed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (v) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Get Nice Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (vi) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:

- (a) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (b) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (vi)); or
 - (c) certified by the Registrar or the Stock Exchange.
- (vii) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (viii) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

- (i) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes and is declared unconditional in all respects.
- (ii) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty),

without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (i) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive.
- (ii) The Offeror reserves the right to revise the terms of the Offer after the despatch of the Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (iii) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (iv) If the Closing Date of the Offer is extended, any reference in the Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. ANNOUNCEMENTS

- (i) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised, extended, or has expired.

The announcement will state the total number of Shares:

- (a) for which acceptances of the Offer has been received;
- (b) held, controlled or directed by the Offeror or its Concert Parties before the Offer Period; and

- (c) acquired or agreed to be acquired during the Offer Period by the Offeror and/or its Concert Parties.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and its Concert Parties have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete in all respects, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive, shall be included.

- (ii) As required under the Takeovers Code, all announcements in relation to the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

5. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the Condition.

Acceptance of the Offer tendered by Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the sub-paragraph (a) and (b) below:

- (a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date (being, Friday, 18 September 2020) and if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar;
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “4. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

6. HONG KONG STAMP DUTY

Sellers' Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of sellers' ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

7. OVERSEAS HOLDERS

The availability of the Offer to any Overseas Holders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Holders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Holders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

Any acceptance by any Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders to the Offeror that the local laws and requirements have been complied with. The Overseas Holders should consult their professional advisers if in doubt.

Notice to Overseas Holders

This Offer is made to Australian Shareholders in reliance on ASIC Corporations (Unsolicited Offers — Foreign Bids) Instrument 2015/1070. This Composite Document may not include information required by Division 5A of Part 7.9 of the Corporations Act 2001 (Cth), which regulates the making of unsolicited offers to purchase securities in Australia, and which requires that such offers set out in a clear, concise and effective manner certain information. Any Australian Shareholder in doubt as to whether or not to accept the Offer should seek professional advice.

This Offer has not been registered in Macau. This is not and does not intend to constitute an offer in Macau. The Composite Document (accompanied by the Form of Acceptance) is not meant to be copied, publicised or distributed in Macau (other than to the Macau

Shareholder(s)). The name of the Macau Shareholder(s) is identified in the register of members and therefore such Macau Shareholder(s) may consider and accept the conditional offer under the Composite Document (accompanied by the Form of Acceptance) governed by the laws of Hong Kong according to the terms herein. Any Macau Shareholder(s) in doubt as to whether or not to accept the Offer should seek professional advice.

8. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

9. TAXATION ADVICE

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its Concert Parties, the Company, Get Nice Securities, Get Nice Capital and Veda Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Get Nice Securities, Get Nice Capital and Veda Capital and any of their respective directors nor the Registrar or other parties involved in the Offer or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

If the Offer do not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders, who have accepted the Offer by ordinary post at their own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

The accidental omission to despatch the Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance will constitute an authority to the Offeror, Get Nice Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, and/or such person or persons as they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the Composite Document.

The Offer is made available to all Independent Shareholders, including those who are resident outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are resident, citizen or national outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due from such person in such jurisdiction.

Any acceptance by Independent Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.

Reference to the Offer in the Composite Document and in the Form of Acceptance shall include any extension or revision thereof.

The English text of the Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for the three years ended 31 March 2018, 2019 and 2020, which are extracted from the annual reports of the Company for the three years ended 31 March 2018, 2019 and 2020.

Results summary

	For the year ended 31 March		
	2020	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(audited)
Revenue and loss			
Revenue	<u>201,281*</u>	<u>66,714</u>	<u>32,417</u>
Loss before taxation	(294,153)	(72,831)	(10,743)
Loss after taxation	<u>(295,096)</u>	<u>(73,284)</u>	<u>(11,267)</u>
(Loss) profit attributable to:			
Owners of the Company	(275,693)	(69,698)	(12,719)
Non-controlling interests	<u>(19,403)</u>	<u>(3,586)</u>	<u>1,452</u>
Comprehensive (expense) income attributable to:			
Owners of the Company	(274,255)	(59,908)	(10,609)
Non-controlling interests	<u>(19,827)</u>	<u>(4,107)</u>	<u>2,548</u>
Basic and diluted loss per share attributable to owners of the Company (US cents)	(0.71)	(0.18)	(0.03)
Dividends per share to owners of the Company	<u>—</u>	<u>—</u>	<u>—</u>

* Revenue in the year ended 31 March 2020 included revenue from discontinued operations. During the year ended 31 March 2020, the copper mining and e-logistic platform businesses were disposed, thus both businesses were recognised as discontinued operations in the statement of profit or loss for the year ended 31 March 2020.

The Group did not have any item of any income or expense which was material during the three years ended 31 March 2018, 2019 and 2020.

The auditor of the Company, Deloitte Touche Tohmatsu, did not issue any modified opinion, emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the three years ended 31 March 2018, 2019 and 2020.

2. FINANCIALS STATEMENTS OF THE GROUP

The Company is required to set out or refer in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Financial Statements**”), together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out from page 51 to page 149 in the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”) which was published on 30 July 2020. The 2020 Annual Report was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cstgroup.hk), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073001158.pdf>

and

<https://doc.irasia.com/listco/hk/cstgroup/annual/2020/ar2020.pdf>

The 2020 Financial Statements (but not any other parts of the 2020 Annual Report) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group for the period commencing since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date:

- (i) as disclosed in the announcement of the Company dated 13 May 2020, due to the impact of the outbreak of COVID-19 pandemic (the “**Outbreak**”) on the operation of CST Canada Coal Limited (“**CST Coal**”), the Company has resolved to suspend its coal mining operations at the Grande Cache coal mine located near Grande Cache, Alberta (the “**Mine**”) to ensure worker safety in accordance with applicable public health guidelines, and to prevent an outbreak of COVID-19 among the workforce at the Mine and in the remote community of Grande Cache having regard to the current global COVID-19 pandemic, and the Mine will be placed into care and maintenance. The extent of how long the care and maintenance at the Mine cannot be estimated at this time due to the uncertainties of the Outbreak. Depending on the length of suspension of the production and operating activities of CST Coal, the suspension may have impact on the financial results of the Group; and

- (ii) as stated in the 2020 Annual Report, the financial assets at fair value through profit or loss of the Group as at 31 March 2020 accounted for approximately 37.8% of the total assets of the Group. According to the latest unaudited management account of the Group, the amount of financial assets at fair value through profit or loss of the Group increased to approximately US\$415.6 million as at 30 June 2020 as compared with that of US\$359.7 million as at 31 March 2020. As most of the aforesaid financial assets were still held by the Group as at the Latest Practicable Date and their market values are subject to fluctuations of the relevant market prices which are unforeseeable, the changes in amount of financial assets at fair value through profit or loss of the Group may have impact on the financial results and the financial position of the Group.

4. INDEBTEDNESS

As at the close of business on 30 June 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, details of the Group's indebtedness are as follows:

Statement of indebtedness

At the close of business on 30 June 2020, being the latest practicable date for the purpose of this indebtedness statement of the Group prior to the printing of this Composite Document, the Group had total outstanding bank borrowings of approximately US\$448.34 million comprising (i) a term loan of approximately US\$408.41 million, which was unguaranteed and secured by all the equity shares of CST-Grande Cache Cayman Limited (an indirect non-wholly-owned subsidiary of the Company) and its subsidiaries and their present and future assets; (ii) a term loan of approximately GBP7.94 million (equivalent to approximately US\$9.74 million), which was unguaranteed and secured by the Company's property in Edinburgh, the United Kingdom; and (iii) a revolving loan of approximately HK\$235.46 million (equivalent to approximately US\$30.19 million) which was guaranteed by the Company and secured by the shares of listed companies in Hong Kong which were purchased through the bank by the Group.

Also, an equipment lease agreement was entered into with the agreed purchase price of the equipment amounting to approximately US\$14.81 million, which was unguaranteed and secured by the underlying equipment stated in that equipment lease agreement.

In addition, various offices, warehouse, staff quarters, mining trucks and office equipment are leased for its operation. The lease contracts are entered into for fixed terms of 2 to 5 years. The lease rentals were determined at a fixed rental pursuant to the terms and conditions that were set out in the respective rental agreements.

The Group has adopted Hong Kong Financial Reporting Standard 16 and leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in the Group's consolidated statements of financial position. As at 30 June 2020, the Group had lease liabilities of approximately

US\$18.76 million, approximately US\$18.57 million of which are unguaranteed and secured by the underlying equipment stated in lease agreement or rental deposits, and approximately US\$0.19 million of which are unguaranteed and unsecured.

Moreover, as at 30 June 2020, the Group had a guarantee liability of approximately US\$40.1 million, which represented the obligation that the Group entered into by issuing a guarantee contract to China Minsheng Banking Corp., Ltd., Hong Kong Branch covering bank facilities granted to Grande Cache Coal LP as part of the consideration for acquisition of the mining business by the Group during the year ended 31 March 2019.

Save as disclosed herein and apart from intra-group liabilities, normal trade and other payables in the ordinary course of business, the Group did not, as at the close of business on 30 June 2020, have any outstanding loan, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees, or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror, Mr. Chiu and the Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by Mr. Chiu (in his capacity as the sole director of the Offeror), and the Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statement in the Composite Document misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executives' interests in securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the Shares, underlying shares, debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules; or (iv) pursuant to the Takeovers Code, to be notified to the Company and the Stock Exchange.

Name of Director	Capacity and nature of interests	Number of Shares	Approximate percentage of the Company's total issued share capital as at the Latest Practicable Date
Chiu Tao	Beneficial owner/ Interest of controlled corporation <i>(Note)</i>	9,086,920,000	23.48%

Note: Among the 9,086,920,000 Shares, (i) 3,900,000,000 Shares were held directly by Mr. Chiu; and (ii) 5,186,920,000 Shares were held by the Offeror, which was wholly-owned by Mr. Chiu. As such, Mr. Chiu is deemed to be interested in the Shares held by the Offeror.

(b) Substantial shareholders

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code were as follows:

Long positions in the Shares

Name of Shareholders	Capacity and nature of interests	Number of Shares	Approximate percentage of the Company's total issued share capital as at the Latest Practicable Date ^(Note 2)
Atlas Keen Limited	Beneficial owner	5,186,920,000	13.40%
Cheung Chung Kiu	Beneficial owner	1,950,840,000	5.04%
Lo Ki Yan Karen ("Ms. Lo")	Beneficial owner/ Interest of controlled corporation	2,036,793,817 ^(Note 1)	5.26%

Notes:

- Among the 2,036,793,817 Shares, (i) 1,861,771,961 Shares were directly held by Ms. Lo; and (ii) 175,021,856 Shares were held by Bookman Properties Limited, which was wholly-owned by Ferrex Holdings Limited. Ferrex Holdings Limited was wholly-owned by Yugang International (B.V.I.) Limited, which was wholly-owned by Planetree International Development Limited (formerly known as Yugang International Limited), shares of which are listed on the main board of the Stock Exchange (stock code: 613). According to the disclosure of interest filing made by Ms. Lo on 4 June 2020, Planetree International Development Limited was owned as to 0.56% by Ms. Lo and 67.30% by Future Capital Group Limited, which was wholly-owned by Ms. Lo. As such, Ms. Lo is deemed to be interested in the Shares held by Bookman Properties Limited.
- As at the Latest Practicable Date, the issued number of ordinary shares of the Company is 38,698,308,961.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had any interests or short positions as Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to

Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

(c) Interests in the Offeror

As at the Latest Practicable Date, save for the Offeror, which is wholly owned by Mr. Chiu, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(d) Additional disclosure of interests in the Company and arrangements in connection with the Offer

As at the Latest Practicable Date, save as disclosed in sections 2(a) to (b) above:

- (a) save for the Sale and Purchase Agreement entered into between the Vendor and the Offeror, a company wholly-owned by Mr. Chiu, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;
- (b) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;
- (c) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (d) the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (e) none of the subsidiary of the Company, the pension fund of the Group, or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (f) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition

of associate under the Takeovers Code and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

- (g) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with Company and none of them had dealt for value in any relevant securities in the Company during the Relevant Period;
- (h) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (i) there was no understanding, arrangement, agreement or special deal between any Shareholder on one hand and the Company, its subsidiaries or associate companies on the other hand.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

Authorised:

<u>100,000,000,000</u>	Shares of HK\$0.10 each	<u>HK\$10,000,000,000.00</u>
------------------------	-------------------------	------------------------------

Issued and fully paid up:

<u>38,698,308,961</u>	Shares	<u>HK\$3,869,830,896.10</u>
-----------------------	--------	-----------------------------

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares are listed on the Main Board of the Stock Exchange and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 March 2020 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date, no Shares have been issued by the Company.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities in respect of the Shares which were issued by the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following service contracts and letters of appointment with the Directors, details of which are set out below:

	Former service contracts/letters of appointment			Existing service contracts/letters of appointment		
	Date of the service contract/letter of appointment	Term of the service contract/letter of appointment	Remuneration (Note 1)	Date of the service contract/letter of appointment	Term of the service contract/letter of appointment	Remuneration (Note 1)
Chiu Tao	15 March 2018	1 April 2018 to 31 March 2020	HK\$36,400,000 per annum	20 March 2020	1 April 2020 to 31 March 2022	HK\$36,400,000 per annum
Hui Richard Rui	15 March 2018	1 April 2018 to 31 March 2020	HK\$2,308,800 per annum	20 March 2020	1 April 2020 to 31 March 2022	HK\$4,651,140 per annum (Note 2)
Lee Ming Tung	15 March 2018	1 April 2018 to 31 March 2020	HK\$1,351,870 per annum	20 March 2020	1 April 2020 to 31 March 2022	HK\$1,434,940 per annum
Kwan Kam Hung, Jimmy	15 March 2018	1 April 2018 to 31 March 2020	HK\$1,411,020 per annum	20 March 2020	1 April 2020 to 31 March 2022	HK\$1,798,940 per annum
Tsui Ching Hung	15 March 2018	1 April 2018 to 31 March 2020	HK\$1,519,700 per annum	20 March 2020	1 April 2020 to 31 March 2022	HK\$1,565,850 per annum
Wah Wang Kei, Jackie	16 July 2018	1 July 2018 to 30 June 2020	HK\$4,004,494 per annum	10 June 2020	1 July 2020 to 30 June 2022	HK\$4,248,660 per annum
Yu Pan	12 March 2018	1 April 2018 to 31 March 2020	HK\$120,000 per annum	20 March 2020	1 April 2020 to 31 March 2022	HK\$120,000 per annum
Leung Hoi Ying	12 January 2018	29 January 2018 to 28 January 2020	HK\$150,000 per annum	15 January 2020	29 January 2020 to 28 January 2022	HK\$150,000 per annum

Notes:

- Pursuant to the relevant service contracts, each of the executive Directors also receive a discretionary bonus of each financial year of the Company of such amount and at such time as may be determined at the sole and absolute discretion of the Board by reference to the performance of the relevant executive Director and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of the Company and as may be decided by the investment and management committee of the Company.
- It was an understanding between the Company and Mr. Hui that the remuneration of Mr. Hui for the 2-year service contract commencing from 1 April 2020 would be increased substantially to recognise and reward Mr. Hui for his contribution to the growth and development of the Group, in particular, for his involvement in the disposal of Lady Annie operations of the Group in July 2019, which has been in a loss making position.

Saved as disclosed above, as at the Latest Practicable Date, the Company or any of its subsidiaries or associates had not entered into service contracts with the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended

within 6 months prior to the commencement of the Offer Period; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) had been entered into by the members of the Group within the two years immediately preceding the date of commencement of the Offer Period and up to the Latest Practicable Date:

1. the sale and purchase agreement dated 11 September 2018 entered into between Happy Jumbo Limited (“**Happy Jumbo**”), an indirect wholly-owned subsidiary of the Company, as the purchaser and Shiny Fortune International Limited (“**Shiny Fortune**”), a direct wholly-owned subsidiary of G-Resources Group Limited (“**G-Resources**”), the shares of which are listed on the main board of the Stock Exchange (stock code: 1051), as the vendor, pursuant to which (i) Happy Jumbo agreed to acquire and Shiny Fortune agreed to sell the sale shares representing the entire equity interests in Adair Ventures Limited (“**Adair**”), Golden Avenue Investments Limited (“**Golden Avenue**”) and Westfield Global Investments Limited (“**Westfield**”), each of which was principally engaged in investment in funds; and (ii) the respective shareholders’ loans for each of Adair, Golden Avenue and Westfield would be assigned by Shiny Fortune to Happy Jumbo, at the consideration of US\$33,150,000 to be satisfied in cash upon completion ^(note 1);
2. the share sale agreement dated 14 March 2019 entered into among Top Gallery Investment Limited (“**Top Gallery**”), an indirect wholly-owned subsidiary of the Company, as the seller, Kombi Mining Pty Ltd (ACN 631 775 392) (“**Kombi Mining**”) as trustee of the Lady Annie Trust and Bentley Resources Pte Ltd (“**Bentley Resources**”), which were both ultimately owned by the family of Mr. Nathan Tinkler, as purchasers, CST Minerals Australia Pty Ltd (ACN 142 485 470) (“**CST Minerals**”) as the target company and its subsidiaries, namely CST Minerals Exploration Pty Ltd (ACN 612 119 123) and CST Minerals Lady Annie Pty Limited (ACN 136 930 222), pursuant to which (i) Top Gallery agreed to sell and Kombi Mining agreed to purchase the entire issued share capital of CST Minerals at 1 Australian Dollar (“**AUD**”); (ii) Top Gallery agreed to sell and Bentley Resources agreed to purchase a loan provided by Top Gallery to CST Minerals, together with the interests thereon at a consideration of approximately AUD22.66 million (subject to adjustment), details of which is set out in the circular of the Company dated 24 May 2019; and (iii) each of CST Minerals and

- its subsidiaries each agreed to jointly and severally guarantee to Top Gallery regarding Bentley Resources' prompt and complete observance and performance of certain obligations of Bentley Resources under the agreement ^(note 2);
3. the provision of shareholder's loan on 7 May 2019 and 30 July 2019 by Rosy State Developments Limited ("**Rosy State**"), an indirect wholly-owned subsidiary of the Company, in the amounts of AUD1,205,399 and AUD11,486,475.39, to Action Soar Investments Limited ("**Action Soar**") for Action Soar to invest in the Australian property market. Action Soar is owned as to approximately 17.77% by Rosy State, approximately 4.20% by Splendour Elite Limited ("**Splendour Elite**"), an indirect wholly-owned subsidiary of Pinnacle World Limited ("**Pinnacle World**"), approximately 56.06%, 17.77% and 4.20% by three other companies. Each of Pinnacle World, Splendour Elite, the said three companies and their then respective ultimate beneficial owners (the "**Relevant Parties**") was an independent third party and not connected with the Group as at 30 July 2019 ^(note 3);
 4. the sale and purchase agreement dated 15 October 2019 (the "**UD SPA**") entered into among Ease Link Investments Limited ("**Ease Link**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, Falloncroft Investments Limited ("**Falloncroft**"), an indirect wholly-owned subsidiary of South Shore Holdings Limited ("**South Shore**"), the shares of which are listed on the main board of the Stock Exchange (stock code: 577), as the vendor and South Shore as the vendor's guarantor in relation to the acquisition of the 10% equity interests in and shareholder's loan due by Uni-Dragon Limited, an indirect wholly-owned subsidiary of South Shore, which is an indirect beneficial owner of a THE 13 Hotel located at Cotai Strip in Macau, at a consideration of HK\$150 million ^(note 4);
 5. the side letter dated 6 April 2020 entered into by Ease Link and Falloncroft to extend the long stop date in the UD SPA to 14 June 2020;
 6. the side letter dated 12 June 2020 entered into by Ease Link and Falloncroft to extend the long stop date in the UD SPA to 13 July 2020; and
 7. the side letter dated 13 July 2020 entered into by Ease Link and Falloncroft to extend the long stop date in the UD SPA to 31 August 2020.

Notes:

1. As at 11 September 2018 and the Latest Practicable Date, (i) according to the register maintained by the Company pursuant to section 336 of the SFO and the shareholders' list provided by the Registrar (collectively, the "**Shareholders Registers**"), none of Shiny Fortune and G-Resources was a registered Shareholder; and (ii) as confirmed by the Vendor, save for his interests in less than 0.2% of the issued shares of G-Resources, he was not connected with or related to any of Shiny Fortune and G-Resources.
2. As at 14 March 2019 and the Latest Practicable Date, (i) according to the Shareholders Registers, none of Kombi Mining, Bentley Resources and Mr. Nathan Tinkler was a registered Shareholder; and (ii) as confirmed by the Vendor, he was not connected with or related to any of Kombi Mining, Bentley Resources and Mr. Nathan Tinkler.

3. As at 7 May 2019, 30 July 2019 and the Latest Practicable Date, (i) according to the Shareholders Registers, none of the Relevant Parties was a registered Shareholder; and (ii) as confirmed by the Vendor, he was not connected with or related to any of the Relevant Parties.
4. As at 15 October 2019 and the Latest Practicable Date, (i) according to the Shareholders Registers, South Shore was not a registered Shareholder; and (ii) as confirmed by the Vendor, he was not connected with or related to South Shore.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been engaged by the Company and who has been named in the Composite Document or who has given its opinion or advice, which is contained in the Composite Document:

Name	Qualification
Nuada	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Nuada has given and has not withdrawn its written consent to the issue of the Composite Document with the inclusion of the text of its letter, advice and/or references to its name and logo, in the form and context in which they respectively appear herein.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<https://www.cstgroup.hk>); and (iii) at the principal place of business of the Company at Rooms 4501–05, 45th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of the Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2018, 2019 and 2020;
- (c) the letter from the Board, the text of which is set out on pages 13 to 19 of the Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of the Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 52 of the Composite Document;
- (f) the service contracts and letters of appointment referred to under the paragraph headed “Directors’ Service Contracts” in this Appendix;

- (g) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (h) the written consent as referred to in the section headed “Qualification and Consent of Expert” in this appendix; and
- (i) this Composite Document.

9. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the existing Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, save for the Sale and Purchase Agreement in which Mr. Chiu had interest, there was no material contracts entered into by the Offeror in which any Director has a material personal interest.
- (d) The registered office of the Company is situated at Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman KY1-1102, Cayman Islands, and its head office and principal place of business in Hong Kong is Rooms 4501–05, 45th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (f) The principal place of business of the Independent Financial Adviser is Unit 1606, 16/F, OfficePlus@Sheung Wan, 93–103 Wing Lok Street, Sheung Wan, Hong Kong.
- (g) The English language text of the Composite Document and the Form of Acceptance shall prevail over the Chinese language text.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group and the Vendor), and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than the opinions expressed by the Directors (in their capacity as the Directors) other than Mr. Chiu and the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Offeror and its Concert Parties collectively hold a total of 9,086,920,000 Shares, representing approximately 23.48% of the issued share capital of the Company.

Save for the aforesaid, the Offeror and its Concert Parties do not hold, own, control or have direction over any Shares, voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

The Offeror confirms that, as at the Latest Practicable Date:

- (a) the Offeror and its Concert Parties have not received any irrevocable commitment to accept or reject the Offer;
- (b) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror or its Concert Parties;
- (c) save for the Loan Facility, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (d) save for the Loan Facility, no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or convertible securities, warrants, options or derivatives of the Company and the Offeror or any party acting in concert with it during the Relevant Period;
- (e) save for a total of 9,086,920,000 Shares, none of the Offeror or its Concert Parties own or have control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (f) save for the acquisition of the Sale Shares by the Offeror, none of the Offeror and its Concert Parties have dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;

- (g) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent on the Offer;
- (h) there is no agreement or arrangement to which the Offeror or its Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (i) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or its Concert Parties have borrowed or lent;
- (j) save for the charge of the Shares to be acquired pursuant to the Offer the payment for which is financed by the amount drawn under the Loan Facility, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (k) no benefit had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (l) save for the total consideration of HK\$129,673,000 for the Sale Shares, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or its Concert Parties to the Vendor or parties acting in concert with him in relation to the sale and purchase of the Sale Shares;
- (m) there is no understanding, arrangement, agreement or special deal between any Shareholder and (a) the Offeror and/or its Concert Parties; or (b) the Company, its subsidiaries or associated companies; and
- (n) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal between the Offeror or its Concert Parties on one hand, and the Vendor or parties acting in concert with him on the other hand.

4. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained or referred to in the Composite Document:

Name	Qualification
Get Nice Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Get Nice Securities	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Veda Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the experts mentioned above had given and had not withdrawn its written consent to the issue of the Composite Document with the inclusion of its letter, advice and/or references to its name in the form and context in which it is included.

5. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price per Share
2020	(HK\$)
31 January	0.024
28 February	0.024
31 March	0.025
29 April	0.025
29 May	0.021
30 June	0.022
Last Trading Day	0.025
31 July	0.026
Latest Practicable Date	0.026

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange was HK\$0.026 on 1, 2, 7 to 9, 14 to 17, 20, 21, 23, 27 and 28 April, 6 May, 29 and 31 July and 3 to 5, 10 to 14, 17 to 19, 21, 24 and 25 August 2020 and HK\$0.021 on 26, 28 to 29 May and 1 to 5, 11 June and 2 July 2020.

6. MISCELLANEOUS

As at the Latest Practicable Date,

- (i) the sole beneficial owner and director of the Offeror is Mr. Chiu;
- (ii) the registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror and Mr. Chiu is situated at Rooms 4501–05, 45th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong;
- (iii) Get Nice Securities is the agent making the Offer for and on behalf of the Offeror and its registered office is situated at 10th Floor, Cosco Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong;
- (iv) Get Nice Capital is one of the joint financial advisers to the Offeror and its registered office is situated at 10th Floor, Cosco Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong;
- (v) Veda Capital is one of the joint financial advisers to the Offeror and its registered office is situated at Suite 1001–02, 10/F., 299 QRC, 287–299 Queen’s Road Central, Hong Kong; and
- (vi) the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text in case of inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<https://www.cstgroup.hk>); and (iii) at the principal place of business of the Company at Rooms 4501–05, 45/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of the Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from Get Nice Securities, the text of which is set out in the section headed “Letter from Get Nice Securities” in this Composite Document; and
- (iii) the written consents as referred to in the section headed “Qualification and Consent of Expert” in this appendix.