
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme Document 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 the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, 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 Scheme Document.

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Offeror and the Company.

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)

(1) PROPOSED PRIVATIZATION OF CST GROUP LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT; AND (2) PROPOSED WITHDRAWAL OF LISTING OF SHARES

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee
Nuada Limited

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed “Definitions” of this Scheme Document.

A letter from the Board is set out on pages 18 to 30 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in relation to the Proposal is set out on pages 31 to 32 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 33 to 65 of this Scheme Document. An Explanatory Memorandum regarding the Scheme is set out on pages 66 to 85 of this Scheme Document.

The actions to be taken by the Shareholders are set out on pages 1 to 4 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at Boardroom 3-4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 20 November, 2023, in the case of the Court Meeting, at 10:00 a.m. (Hong Kong time) and in the case of the EGM, at 10:30 a.m. (Hong Kong time) or immediately after the conclusion or the adjournment of the Court Meeting, are set out on Appendices IV and V of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed “Actions to be taken” set out on pages 1 to 4 of this Scheme Document. Completion and return of the forms of proxy for the Court Meeting and/or the EGM will not preclude a Scheme Shareholder and/or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting or any adjournment thereof should he/she so wishes, and in such event, the returned forms of proxy shall be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company.

In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

27 October 2023

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Proposal is made solely through this Scheme Document to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. It contains the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in this Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are nationals. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions.

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a company incorporated in the Cayman Islands with limited liability by means of a scheme of arrangement provided for under the Companies Act and is subject to Cayman Islands and Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in the relevant documentation, including this Scheme Document, has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Cayman Islands and Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules. In addition, US holders of Scheme Shares should be aware that this Scheme Document has been prepared in accordance with Hong Kong format and style, which differs from US format and style.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Proposal may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him/her/it.

US holders of Scheme Shares may encounter difficulty enforcing their rights and any claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, US holders of Scheme Shares may encounter difficulty compelling a non-US company and its affiliates to subject themselves to a US court's judgement.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Scheme as set out in this Scheme Document has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the United States Securities and Exchange Commission or any such state regulatory authority passed on the adequacy or accuracy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States.

This Scheme Document is available for download at the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.cstgroup.hk.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group. This Scheme Document may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Offeror, the Company or their respective affiliates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this Scheme Document are made as of the date hereof and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws and the Takeovers Code.

CONTENTS

	<i>Page</i>
ACTIONS TO BE TAKEN	1
QUESTIONS AND ANSWERS	5
DEFINITIONS	9
EXPECTED TIMETABLE	15
LETTER FROM THE BOARD	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	31
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	33
EXPLANATORY MEMORANDUM	66
APPENDIX I – FINANCIAL INFORMATION RELATING TO THE GROUP	I-1
APPENDIX II – GENERAL INFORMATION	II-1
APPENDIX III – SCHEME OF ARRANGEMENT	III-1
APPENDIX IV – NOTICE OF COURT MEETING	IV-1
APPENDIX V – NOTICE OF THE EGM	V-1

ACTIONS TO BE TAKEN

This Scheme Document contains important information and you should carefully read this Scheme Document in full, including the appendices, before making any decision.

(A) ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 14 November 2023 to Monday, 20 November 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 13 November 2023.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged no later than 10:00 a.m. on Saturday, 18 November 2023 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it) if it is not so lodged. The **white** form of proxy for use at the EGM must be lodged no later than 10:30 a.m. on Saturday, 18 November 2023, failing which it will not be valid. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a Scheme Shareholder and/or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting or any adjournment thereof, and in such event, the returned form of proxy shall be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the amended and restated articles of association of the Company and as required under the Listing Rules and the Takeovers Code.

ACTIONS TO BE TAKEN

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme and, to the extent necessary, confirmation of any reduction of share capital associated with the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

(B) ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

The Company will not recognize any person as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to accurately complete its form of proxy and to submit it by the relevant deadlines stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees) and wish to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, in which case, you should consult your financial intermediary (such as your broker, custodian or nominee) to determine whether any charges apply.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete its forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM or, as applicable, the latest time for lodging transfers of Shares, any such Beneficial Owner should comply with the requirements of such Registered Owner.

ACTIONS TO BE TAKEN

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the amended and restated articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy shall be revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, if you wish to vote your Shares at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a registered Shareholder as of the Meeting Record Date, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the EGM (as a Shareholder). You can become a registered Shareholder by withdrawing some or all of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary.

You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of Shares to register the Shares into your own name in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name prior to the Meeting Record Date.

ACTIONS TO BE TAKEN

(C) EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF THE PROPOSAL IS APPROVED AND IMPLEMENTED, IT WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

(D) PETITION HEARING AT THE GRAND COURT

ANY SCHEME SHAREHOLDERS WHO VOTED AT THE COURT MEETING (INCLUDING ANY BENEFICIAL OWNERS WHO GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE WHO SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO ATTEND OR APPEAR BY COUNSEL, AND BE HEARD ON THE HEARING OF THE PETITION AT THE GRAND COURT OF THE CAYMAN ISLANDS WHICH IS EXPECTED TO BE ON 30 NOVEMBER 2023 AT 10:00 A.M. (CAYMAN ISLANDS TIME), AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

QUESTIONS AND ANSWERS

The following are some of the questions you, as a Scheme Shareholder or a Shareholder, may have and the answers to those questions.

1. What is the purpose of this Scheme Document?

- The purpose of this Scheme Document is to provide you with, among other things: (a) information on the Scheme and the expected timetable of the Proposal; (b) recommendations of the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee; (c) notices of the Court Meeting and the EGM; and (d) the **pink** and **white** forms of proxy in relation to the Court Meeting and the EGM, respectively.

2. What is the Court Meeting, the EGM and the Grand Court hearing?

- The Court Meeting is convened for the Scheme Shareholders to consider and, if thought fit, approve the Scheme.
- Immediately after the conclusion or the adjournment of the Court Meeting, the EGM will be held for the Shareholders to consider and, if thought fit, approve (a) a special resolution to approve and give effect to any reduction of the share capital of the Company associated with the Scheme and (b) an ordinary resolution to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.
- If the requisite approval is obtained at the Court Meeting and the resolutions are passed at the EGM, the Grand Court hearing will be held for the Grand Court to hear the petition to sanction the Scheme and, to the extent necessary, confirm any reduction of share capital of the Company associated with the Scheme. The Grand Court hearing is listed to be heard on Thursday, 30 November 2023 at 10:00 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who voted at the Court Meeting have the right to attend, or appear by counsel, and be heard on the hearing of the petition.

3. What are the location, date and time of the Court Meeting and the EGM?

- The Court Meeting will be held at Boardroom 3-4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 20 November 2023 at 10:00 a.m..
- The EGM will be held at Boardroom 3-4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 20 November 2023 at 10:30 a.m. (or immediately after the conclusion or the adjournment of the Court Meeting).

QUESTIONS AND ANSWERS

4. What do I need to do if I want to vote at the Court Meeting and the EGM?

- You are strongly encouraged:
 - (a) in the case of a Scheme Shareholder or a Shareholder – to exercise your right to vote at the Court Meeting and/or the EGM; or
 - (b) in the case of a Beneficial Owner – to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the EGM.
- The actions you should take are summarised in “*Actions to be taken*” and the section headed “*17. Actions to be taken*” in the Explanatory Memorandum of this Scheme Document. You should read them carefully.

5. What are the Proposal and the Scheme?

- The Proposal involves the proposed privatization of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation of the Scheme Shares, and the voluntary withdrawal of the listing of the Shares on the Stock Exchange.
- If the Proposal is approved and implemented:
 - (a) on the Effective Date, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price in cash for each Scheme Share cancelled;
 - (b) immediately after the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror, of such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued; and
 - (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15 of the Listing Rules.
- Please see the section headed “*2. Terms of the Proposal and the Scheme*” in the Explanatory Memorandum of this Scheme Document for a discussion of the Proposal.

6. I am an overseas Shareholder. What should I do?

- All overseas Shareholders are advised to read this Scheme Document in its entirety and, in particular, the section headed “*14. Overseas Shareholders*” in the Explanatory Memorandum of this Scheme Document.

QUESTIONS AND ANSWERS

7. Will I have to pay any fees or commissions?

- If your Shares are registered in your name as at the Scheme Record Date and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.
- If, as at the Scheme Record Date, you own your Shares through a financial intermediary (such as a broker or nominee), you should consult your financial intermediary to determine whether any charges apply.

8. What is the position of the Independent Board Committee on the Proposal?

- The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document, considers that the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.
- Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document. You are advised to read such letter of advice carefully before taking any action in respect of the Proposal.

9. What vote is required from the Scheme Shareholders and the Shareholders at the Court Meeting and the EGM respectively?

- At the Court Meeting, the Scheme must be approved in the following manner:
 - (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; and
 - (b) the approval of the Scheme (by way of poll) by the Disinterested Scheme Shareholders representing not less than 75% of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting; and the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares.

QUESTIONS AND ANSWERS

- At the EGM, the following resolutions must be passed in order to implement the Proposal and the Scheme:
 - (a) a special resolution to be passed by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the share capital of the Company associated with the Scheme; and
 - (b) an ordinary resolution to be passed by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.

10. When will I receive the Cancellation Price?

- If the Scheme becomes effective, the cheques for payment of the Cancellation Price are expected to be dispatched to the Scheme Shareholders on or before Tuesday, 12 December 2023.

11. Who should I contact if I have additional questions?

- If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Court Meeting and/or the EGM, please contact the Share Registrar and/or the Company as follows:
 - (a) call the hotline of the Share Registrar, at (852) 2980 1333 during business hours from 9:00 a.m. to 4:30 p.m. Monday to Friday, excluding Hong Kong public holidays;
 - (b) visit the Company's website at www.cstgrouphk.com; and/or
 - (c) direct your questions to the Company by the following ways:
 - by phone: (852) 2856 9300 (between 9:00 a.m. and 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)
 - by email: info@cstgrouphk.com
- For the avoidance of doubt, the Share Registrar and the Company cannot and will not provide any advice on the merits of the Proposal or the Scheme or give any financial or legal advice via the above designated hotlines, website and email. If you are in doubt as to any aspect of this Scheme Document or 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.

DEFINITIONS

In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:

“acting in concert”	has the meaning given to it under the Takeovers Code
“Announcement Date”	1 September 2023, being the date of the Joint Announcement
“associate(s)”	has the meaning given to it under the Takeovers Code
“associated company(ies)”	has the meaning given to it under the Takeovers Code
“Authority”	any relevant government, administrative, statutory or regulatory body, or court, tribunal, arbitrator or governmental or quasi-governmental agency or authority or department (including any relevant securities exchange) and whether supranational, national, regional or local
“Authorizations”	the necessary authorizations, approvals, permissions, waivers, consents, registrations and filings
“Beneficial Owner(s)”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself/herself/itself
“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
“Cancellation Price”	the cancellation price of HK\$1.00 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CCASS Participant(s)”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act (2023 Revision) (As Revised) of the Cayman Islands

DEFINITIONS

“Company”	CST Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 985)
“Condition(s)”	the conditions to the implementation of the Proposal and the Scheme as set out in the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum
“Court Meeting”	the meeting of the Scheme Shareholders convened at the directions of the Grand Court, notice of which is set out in Appendix IV of the Scheme Document, at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Share(s)”	the Shares other than any Shares which are beneficially owned by the Offeror or any Offeror Concert Party
“Disinterested Scheme Shareholder(s)”	the holders of the Disinterested Scheme Shares
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“EGM”	the extraordinary general meeting of the Company convened for the purpose of considering, and if thought fit, approving all necessary resolutions for the implementation of the Proposal and the Scheme, notice of which is set out in Appendix V of the Scheme Document, or any adjournment thereof
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegates of the executive director
“Explanatory Memorandum”	the explanatory memorandum in relation to the Scheme, the text of which is set out on pages 66 to 85 of this Scheme Document
“Get Nice Securities”	Get Nice Securities Limited, a corporation licensed to carry out businesses in 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, which is appointed as the financial adviser to the Offeror in respect of the Proposal

DEFINITIONS

“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, and being the independent financial adviser to the Independent Board Committee
“Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the announcement dated 1 September 2023, jointly issued by the Offeror and the Company in relation to the Proposal
“Last Trading Day”	23 August 2023, being the last trading day for the Shares immediately before the publication of the Joint Announcement
“Latest Practicable Date”	24 October 2023, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	the loan facility of up to HK\$123 million granted by Get Nice Securities to the Offeror to finance the amount payable by the Offeror (including the arrangement of (i) a share charge of all the Shares currently held and all the Shares to be owned by the Offeror and Mr. Chiu after the Scheme becomes effective in favour of Get Nice Securities; and (ii) a share charge of the entire issued share capital of the Offeror in favour of Get Nice Securities) to discharge its obligation in respect of the full implementation of the Scheme

DEFINITIONS

“Long Stop Date”	29 February 2024 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and/or as the Executive may consent
“Meeting Record Date”	Monday, 20 November 2023, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM
“Mr. Chiu”	Mr. Chiu Tao, the chairman and an executive Director of the Company, and an executive director and the sole shareholder and director of the Offeror
“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror or Mr. Chiu under the definition of “acting in concert” under the Takeovers Code
“Offeror Director”	The sole director of the Offeror, namely, Mr. Chiu
“Offeror”	Atlas Keen Limited, a business company incorporated under the laws of the BVI with limited liability and wholly and beneficially owned by Mr. Chiu
“Other CCASS Participant(s)”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“Proposal”	the proposal for the privatization of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Registered Owner”	any person (including without limitation a nominee, trustee, depository or any other authorized custodian or third party) whose name is entered in the register of members of the Company as a holder of Shares
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“relevant authorities”	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department having jurisdiction over members of the Group in matters relevant to the Proposal

DEFINITIONS

“Relevant Period”	the period commencing on 1 March 2023, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive
“relevant securities”	the meaning ascribed to it under Note 4 to Rule 22 of the Takeovers Code
“Scheme”	the scheme of arrangement under section 86 of the Companies Act for the implementation of the Proposal
“Scheme Document”	this composite scheme document of the Offeror and the Company containing, among other things, each of the letters, statements, appendices and notices in it
“Scheme Record Date”	1 December 2023, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	all of the Share(s) in issue and such further Share(s) as may be issued prior to the Scheme Record Date other than those held by the Offeror and Mr. Chiu
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Registrar”	Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, being the Company’s branch share registrar in Hong Kong
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“special deal”	has the meaning given to it under Rule 25 of the Takeovers Code
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“US\$”	US dollars, the lawful currency of the United States
“US” or “United States”	the United States of America
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates (which are equivalent to Beijing times and dates), except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme and the Effective Date, which are the relevant times and dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

EXPECTED TIMETABLE

The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Events	Date
Despatch of this Scheme Document	Friday, 27 October 2023
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the EGM	4:30 p.m. on Monday, 13 November 2023
Register of members of the Company closed for determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM (<i>Note 1</i>)	Tuesday, 14 November 2023 to Monday, 20 November 2023 (both days inclusive)
Latest time for lodging the pink form of proxy in respect of the Court Meeting (<i>Note 2</i>)	10: 00 a.m. on Saturday, 18 November 2023
Latest time for lodging the white form of proxy in respect of the EGM (<i>Note 2</i>)	10:30 a.m. on Saturday, 18 November 2023
Meeting Record Date	Monday, 20 November 2023
Court Meeting (<i>Note 3</i>)	10:00 a.m. on Monday, 20 November 2023
EGM (<i>Note 3</i>)	10:30 a.m. on Monday, 20 November 2023 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the EGM	no later than 7:00 p.m. on Monday, 20 November 2023
Expected latest time of trading in the Shares on the Stock Exchange	4:10 p.m. on Tuesday, 21 November 2023

EXPECTED TIMETABLE

Events	Date
Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme	4:30 p.m. on Thursday, 30 November 2023
Grand Court hearing of the petition to sanction the Scheme and, to the extent necessary, confirm any reduction of the share capital	Thursday, 30 November 2023 (Cayman Islands time)
Register of members of the Company closed for determining the entitlements under the Scheme (<i>Note 4</i>)	From Friday, 1 December 2023 onwards
Announcement of: (i) the result of the Grand Court hearing; (ii) the expected Effective Date; and (iii) the expected date of withdrawal of listing of the Shares from the Stock Exchange	At or before 8:30 a.m. on Friday, 1 December 2023
Scheme Record Date	Friday, 1 December 2023
Effective Date (<i>Note 5</i>)	Friday, 1 December 2023 (Cayman Islands time)
Announcement of: (i) the Effective Date; and (ii) the withdrawal of listing of the Shares from the Stock Exchange	At or before 8:30 a.m. on Monday, 4 December 2023
Expected withdrawal of listing of the Shares from the Stock Exchange becomes effective (<i>Note 6</i>)	4:00 p.m. on Monday, 4 December 2023
Latest time to despatch cheques for cash entitlements under the Scheme (<i>Note 7</i>)	Tuesday, 12 December 2023

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

EXPECTED TIMETABLE

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this book closure period is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions printed thereon respectively and should be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible. The **pink** form of proxy for use at the Court Meeting should be lodged no later than the time and date stated above or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it). The **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above, failing which it will not be valid. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting or any adjournment thereof if he/she so wishes. In the event that the Scheme Shareholder or Shareholder attends and votes at the relevant meeting or any adjournment thereof, the returned form of proxy shall be revoked by operation of law.
3. Please see the notice of the Court Meeting set out in Appendix IV to this Scheme Document and the notice of the EGM set out in Appendix V to this Scheme Document.
4. The register of members of the Company will be closed from such date for the purpose of determining the Scheme Shareholders who are qualified for entitlements to the Cancellation Price under the Scheme.
5. The Scheme shall become effective upon all the Conditions set out in the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum having been fulfilled or (to the extent permitted) waived (as the case may be).
6. If all the Conditions are fulfilled (or waived as applicable), the Offeror will implement the Proposal and the Scheme Shares will be cancelled pursuant to the Scheme and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares from the Stock Exchange.
7. Cheques for the cash entitlements to the Scheme Shareholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company on the Scheme Record Date on or before Tuesday, 12 December 2023.

All references to times and dates are references to Hong Kong times and dates (which are equivalent to Beijing times and dates), except as otherwise specified. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

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. Han Xuyang (*Chief Executive Officer*)
Mr. Hui Richard Rui (*General Manager*)
Mr. Kwan Kam Hung, Jimmy

Registered Office:

94 Solaris Avenue
2nd Floor, Camana Bay
P.O. Box 30745
Grand Cayman KY1-1203
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

27 October 2023

To the Shareholders

Dear Sir or Madam

**(1) PROPOSED PRIVATIZATION OF CST GROUP LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT; AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHARES**

1. INTRODUCTION

Pursuant to the Joint Announcement dated 1 September 2023, the Offeror and the Company jointly announced that on 31 August 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatization of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled, and the withdrawal of the listing of the Shares from the Stock Exchange.

If the Proposal is approved and implemented:

- (a) on the Effective Date, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled;

LETTER FROM THE BOARD

- (b) immediately after the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror, of such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued; and
- (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15 of the Listing Rules.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 31 to 32 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 33 to 65 of this Scheme Document; (iii) the Explanatory Memorandum set out on pages 66 to 85 of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL AND THE SCHEME

Under the Scheme, the Scheme Shares will be cancelled and in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.00 in cash for each Scheme Share cancelled.

The Cancellation Price of HK\$1.00 per Scheme Share represents:

- (a) a premium of approximately 6.38% over the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on 24 October 2023, being the Latest Practicable Date;
- (b) a premium of approximately 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 23 August 2023, being the Last Trading Day
- (c) a premium of approximately 49.25% over the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on 22 August 2023, being the full trading day immediately prior to the Last Trading Day;
- (d) a premium of approximately 24.38% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.804 per Share;
- (e) a premium of approximately 21.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.824 per Share;
- (f) a premium of approximately 36.61% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.732 per Share;

LETTER FROM THE BOARD

- (g) a discount of approximately 1.38% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$1.014 per Share;
- (h) a discount of approximately 14.89% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$1.175 per Share;
- (i) a discount of approximately 24.01% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day of approximately HK\$1.316 per Share;
- (j) a discount of approximately 33.82% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$1.511 per Share; and
- (k) a discount of approximately 60.68% to the audited consolidated net asset value attributable to Shareholders of the Group per Share of approximately US\$0.326 (equivalent to approximately HK\$2.543) as at 31 March 2023, calculated by dividing the Group's audited consolidated net asset value attributable to Shareholders of approximately US\$157,870,000 as at 31 March 2023 by 483,728,862 Shares in issue as at the Latest Practicable Date and based on the exchange rate of USD1=HKD7.80.

Highest and Lowest Prices of the Shares

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.78 per Share on 1 March 2023, and HK\$0.52 per Share on 24 July 2023, respectively.

Basis for determining the Cancellation Price

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among other things, the recently traded prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, the other privatization transactions in Hong Kong in recent period prior to the publication of the Joint Announcement. Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the "Letter from the Independent Financial Adviser" on pages 33 to 65 of this Scheme Document.

LETTER FROM THE BOARD

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, this Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all Scheme Shareholders if the following conditions are fulfilled or waived:

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting.
- (b) the approval of the Scheme (by way of poll) by the Disinterested Scheme Shareholders representing not less than 75% of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting; and the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares.
- (c) the passing of:
 - (1) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the share capital of the Company associated with the Scheme; and
 - (2) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror;

LETTER FROM THE BOARD

- (d) the Grand Court's sanction of the Scheme (with or without modification) and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the applicable procedural requirements and conditions, if any, under sections 15 and 16 of the Companies Act in relation to any reduction of the share capital of the Company associated with the Scheme;
- (f) all authorizations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the voluntary withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms which are required to be obtained (or, as the case may be, completed) prior to the completion of the Proposal having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (g) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (h) since the Announcement Date, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole; and
- (i) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole.

The Conditions in paragraphs (a) to (e) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (f) to (i) (inclusive) in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or the Scheme or its implementation in accordance with its terms illegal.

LETTER FROM THE BOARD

In respect of the Condition (f), as at the Latest Practicable Date and based on the information available to the Offeror and the Company, the Offeror and the Company do not foresee any necessary Authorizations required in connection with the Scheme from, with or by (as the case may be) the relevant authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, save for the Authorizations already set out above as Condition (d).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Scheme.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and/or as the Executive may consent), failing which the Scheme will lapse.

If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Your attention is drawn to the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the assumption that no further Shares are issued before the Scheme Record Date, and on the basis of the Cancellation Price of HK\$1.00 for each Scheme Share and there being 122,642,249 Scheme Shares in issue as at the Latest Practicable Date, the maximum cash consideration payable for the Proposal is HK\$122,642,249.

The Offeror intends to finance the consideration payable by the Offeror through the Loan Facility. The Loan Facility is secured by, among other things, (i) a share charge of all the Shares currently held and all the Shares to be owned by the Offeror and Mr. Chiu after the Scheme becomes effective in favour of Get Nice Securities; and (ii) a share charge of the entire issued share capital of the Offeror in favour of Get Nice Securities. Get Nice Securities, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to discharge its obligation in respect of the full implementation of the Scheme.

LETTER FROM THE BOARD

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date,

- (a) the issued share capital of the Company comprises 483,728,862 Shares;
- (b) there are no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company;
- (c) the Offeror and the Offeror Concert Parties are interested in 367,565,613 Shares, representing approximately 75.99% of the total issued Shares;
- (d) neither the Offeror nor any of the Offeror Concert Parties:
 - (1) have entered into any outstanding derivative in respect of the securities in the Company;
 - (2) have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
 - (3) have received any irrevocable commitment to vote for or against the Scheme; and
 - (4) have held any convertible securities, warrants or options in respect of the Shares held, controlled or directed by them.
- (e) save for the Loan Facility, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (f) there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (g) the Disinterested Scheme Shareholders legally or beneficially own, control or have direction over a total of 116,163,249 Shares, representing 24.01% of the Shares in the issued share capital of the Company;
- (h) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholders on one hand, and (2)(a) the Offeror and the Offeror Concert Parties, or (2)(b) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code) on the other hand; and
- (i) the Scheme Shares held by the Scheme Shareholders, comprising 122,642,249 Shares, represent approximately 25.35% of the issued share capital of the Company.

LETTER FROM THE BOARD

For the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto), please refer to the section headed “5. Shareholding Structure of the Company and effect of the Proposal and the Scheme” in the Explanatory Statement as set out on pages 66 to 85 of the Scheme Document.

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares from the Stock Exchange, (i) the Offeror will hold 89.92% of the issued share capital of the Company, and (ii) the Offeror and Mr. Chiu will together hold 100% of the issued share capital of the Company.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL

(a) Reasons and benefits for the Offeror

The Offeror takes the view that the trading price and trading volume of the Shares have not been satisfactory. Due to the low liquidity in the trading of its Shares, the Company’s current listing status on the Stock Exchange no longer serves as a suitable platform for raising funding for the Company’s business growth and development. The Proposal will give the Offeror more flexibility to support the future business development of the Group.

(b) Reasons and benefits for the Scheme Shareholders and the Company

The Scheme presents an immediate opportunity for Scheme Shareholders to realize their investments in the Company for cash and redeploy the cash received from accepting the Scheme into other investment opportunities. The Cancellation Price of HK\$1.00 per Share represents a premium of 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Day.

Following the implementation of the Scheme, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

You are urged to read carefully the paragraph headed “9. Reasons for and benefits of the Proposal” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

On the basis set out above, the Board (including the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholder as a whole.

As at the Latest Practicable Date, Mr. Chiu has not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal where required under the articles of association of the Company and subject to the compliance with the Takeovers Code given his material interest in the Proposal.

LETTER FROM THE BOARD

7. INFORMATION ON THE GROUP AND THE OFFEROR

(a) The Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 985. It is an investment holding company. The Group operates in four segments, namely (A) exploration, development and mining of mineral resources, (B) investments in financial instruments, (C) property investments, and (D) money lending.

Your attention is drawn to the section headed “Financial Information relating to the Group” set out in Appendix I to this Scheme Document for further information on the Company.

(b) The Offeror and the Offeror Concert Parties

The Offeror is an investment holding company incorporated in the BVI with limited liability.

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Chiu, who is the sole director of the Offeror. Mr. Chiu, aged 67, 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.

Get Nice Securities is the financial adviser to the Offeror in respect of the Proposal. Accordingly, Get Nice Securities and relevant members of the Get Nice Securities Group are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code (except in respect of Shares held on behalf of non-discretionary investment clients of the Get Nice Securities Group). As at the Latest Practicable Date, Mr. Hung Hon Man, being the ultimate controlling shareholder of Get Nice Securities, and his associate(s) hold an aggregate of 6,479,000 Shares. Mr. Cheng Wai Ho, Mr. Ng Hon Sau, Larry and Mr. Shum Kin Wai, Frankie are the directors of Get Nice Securities.

8. INTENTIONS OF THE OFFEROR AND THE COMPANY

Your attention is drawn to the section headed “10. Intention of the Offeror with regard to the Group” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

The Board is aware of and welcomes the Offeror’s intentions as set out in the section headed “10. Intention of the Offeror with regard to the Group” in the Explanatory Memorandum of this Scheme Document that, among other things, the Group will continue to carry on its current business, and the Offeror will continue to consider how to develop the Company in a manner which best enhances value. Following the implementation of the Proposal, the Offeror does not intend to continue the listing of the Shares.

LETTER FROM THE BOARD

9. IMPLEMENTATION OF THE PROPOSAL AND VOLUNTARY WITHDRAWAL OF LISTING OF SHARES

(a) If the Scheme becomes unconditional and effective

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The holders of Scheme Shares will be notified by way of an announcement of the exact date of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the voluntary withdrawal of the listing of the Shares on the Stock Exchange will be effective. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 15 to 17 of this Scheme Document.

(b) If the Scheme is not approved or if the Scheme lapses

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or if the Scheme otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Scheme lapses, the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed “5. Shareholding Structure of the Company and effect of the Proposal and the Scheme” in the Explanatory Statement as set out on pages 66 to 85 of the Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Scheme is not approved or the Scheme lapses). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules if the Scheme is not approved or if the Scheme lapses.

If the Scheme is not approved or if the Scheme otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Scheme otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

LETTER FROM THE BOARD

10. SCHEME SHARES, COURT MEETING AND EGM

As at the Latest Practicable Date, the Company has 483,728,862 Shares in issue. There were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting on the resolution to approve the Scheme but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the requirements in paragraph b in the section headed “3. Conditions of the Proposal and the Scheme” above are satisfied. Mr. Hung Hon Man and his associate(s), as Offeror Concert Parties, have undertaken not to attend nor vote at the Court Meeting and will procure that any Shares in respect of which they are legally or beneficially interested will not be represented nor voted at the Court Meeting. Each of the Offeror and Mr. Chiu has undertaken to be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and the conditions of the Scheme.

All registered Shareholders as at the Meeting Record Date will be entitled to attend and vote at the EGM on (i) the special resolution to approve and give effect to any reduction of the share capital of the Company associated with the Scheme, and (ii) the ordinary resolution to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.

The Offeror and the Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, each of them will cast the votes in respect of those Shares held by it in favour of the resolutions to be proposed at the EGM.

11. OVERSEAS SHAREHOLDERS

If you are an overseas holder of the Scheme Shares, your attention is also drawn to the paragraph headed “14. Overseas Shareholders” in the Explanatory Memorandum.

12. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all independent non-executive Directors namely Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying) has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting.

The full text of the letter from the Independent Board Committee is set out on pages 31 to 32 of this Scheme Document.

As at the Latest Practicable Date, none of the independent non-executive Directors held any Shares.

LETTER FROM THE BOARD

13. INDEPENDENT FINANCIAL ADVISER

Nuada has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Nuada as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out on pages 33 to 65 of this Scheme Document.

14. SCHEME SHARES, COURT MEETING AND EGM

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the paragraph headed “16. Scheme Shares, Court Meeting and EGM” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document, the section headed “Actions to be taken” on pages 1 to 4 of this Scheme Document, and the notice of the Court Meeting and the notice of the EGM set out in Appendix IV and Appendix V, respectively, to this Scheme Document.

15. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal and the Scheme are set out under the section headed “Actions to be taken” on pages 1 to 4 of this Scheme Document and the paragraph headed “17. Actions to be taken” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

16. RECOMMENDATIONS

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in its letter, considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned. In considering whether the terms of the Proposal and the Scheme are fair and reasonable, the Independent Board Committee took into account, among other things, the recently traded prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, the other privatization transactions in Hong Kong in recent period prior to the publication of the Joint Announcement.

Accordingly, the Independent Board Committee recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

LETTER FROM THE BOARD

Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Financial Adviser” on pages 33 to 65 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Board Committee” on pages 31 to 32 of this Scheme Document.

17. TAXATION ADVICE

Scheme 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 Proposal. It is emphasized that none of the Offeror, the Company, Get Nice Securities, Nuada Limited and the Share Registrar nor any of their respective directors, officers or associates or any other person involved in the Proposal and the Scheme accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons or persons as a result of their acceptance or rejection of the Proposal and the Scheme.

Accordingly, you are urged to read the paragraph headed “15. Taxation Advice” in the Explanatory Memorandum set out on page 79 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

18. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 31 to 32 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 33 to 65 of this Scheme Document, the Explanatory Memorandum set out on pages 66 to 85 of this Scheme Document, the Scheme, the notice of the Court Meeting and the notice of the EGM set out in Appendix III, Appendix IV and Appendix V, respectively, to this Scheme Document and the other appendices to this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the EGM are enclosed with this Scheme Document.

Yours faithfully
By order of the Board of
CST Group Limited
Li Man Ting
Company Secretary



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

27 October, 2023

To the Disinterested Scheme Shareholders

Dear Sir or Madam

**(1) PROPOSED PRIVATIZATION OF CST GROUP LIMITED BY THE
OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER
SECTION 86 OF THE COMPANIES ACT; AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHARES**

We refer to the joint announcement dated 1 September 2023 jointly issued by the Offeror and the Company and the scheme document dated 27 October 2023 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme, details of which are set out in the letter from the Board on pages 18 to 30 of this Scheme Document and the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

Nuada Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and the Scheme. The details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser on pages 33 to 65 of this Scheme Document.

In the letter from the Independent Financial Adviser as set out on pages 33 to 65 of this Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the section headed “Letter from the Independent Financial Adviser” of this Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. In considering whether the terms of the Proposal and the Scheme are fair and reasonable, the Independent Board Committee took into account, among other things, the recently traded prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, the other privatization transactions in Hong Kong in recent period prior to the publication of the Joint Announcement.

Accordingly, the Independent Board Committee recommends:

- (a) the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (b) the Shareholders to vote, at the EGM, in favour of (i) the special resolution to approve and give effect to any reduction of the share capital of the Company associated with the Scheme; and (ii) the ordinary resolution to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.

The Independent Board Committee draws the attention of the Disinterested Scheme Shareholders to (i) the letter from the Board set out on pages 18 to 30 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 33 to 65 of this Scheme Document, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations to the Independent Board Committee; and (iii) the Explanatory Memorandum set out on pages 66 to 85 of this Scheme Document.

Yours faithfully,
The Independent Board Committee

Mr. Yu Pan
Independent
non-executive Director

Ms. Ma Yin Fan
Independent
non-executive Director

Mr. Leung Hoi Ying
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee from Nuada Limited dated 27 October 2023 prepared for the purpose of inclusion in the Scheme 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

27 October 2023

*To the Independent Board Committee of
CST Group Limited*

Dear Sir or Madam,

**(1) PROPOSED PRIVATIZATION OF CST GROUP LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT; AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHARES;**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee on the Proposal, the Scheme and the voluntary withdrawal of the listing of the Shares on the Stock Exchange, details of which are set out in the Scheme Document dated 27 October 2023 jointly issued by the Company and the Offeror, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

On 31 August 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatization of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares, and the voluntary withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, pursuant to the Scheme:

- (a) on the Effective Date, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price in cash for each Scheme Share cancelled;
- (b) immediately after the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror, of such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15 of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive directors of the Company who are not interested in the Proposal, has been established by the Board to make a recommendation to the Disinterested Scheme Shareholders as to: (a) whether the terms of the Proposal and the Scheme are fair and reasonable; and (b) whether to vote in favor of the resolutions of the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Proposal at the EGM.

We, Nuada Limited, have been appointed by the Board with the approval of the Independent Board Committee to advise the Independent Board Committee on the Proposal, the Scheme and the voluntary withdrawal of the listing of the Shares on the Stock Exchange.

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 Proposal, the Scheme and the voluntary withdrawal of the listing of the Shares on the Stock Exchange, there were no other engagements between the Group, the Offeror or Mr. Chiu and Nuada Limited. Apart from normal professional fees for our services to the Company in connection this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Group, the Offeror or Mr. Chiu or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advice on the Proposal and the Scheme.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committees and the Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Scheme Document, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Scheme Document, the Shareholders would be notified as soon as possible.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Our review and analysis were based upon, among other things, the information provided by the Company including the Joint Announcement and the Scheme Document, and certain published information from the public domain including the annual reports of the Company for the financial years ended 31 March 2022 (“**Annual Report 2022**”) and 31 March 2023 (“**Annual Report 2023**”), trading performance of the Shares on the Stock Exchange, financial reports of certain companies listed on the Stock Exchange, and privatization documents published by companies then listed on the Stock Exchange.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Scheme Document and to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice in respect of the Proposal and the Scheme, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

(a) Background of the Company and the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 985. It is an investment holding company. The Group engages in four segments, namely (i) exploration, development and mining of mineral resources, (ii) investments in financial instruments, (iii) property investments, and (iv) money lending.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial information of the Group

The table below summarises the financial results of the Group for the financial years ended 31 March 2021 (“FY2021”), 31 March 2022 (“FY2022”) and 31 March 2023 (“FY2023”) as respectively extracted from Annual Report 2022 and Annual Report 2023.

	FY2023	FY2022	FY2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	227,130	69,033	78,710
– Sales of coal	215,859	26,883	28,100
– Interest income	2,441	23,156	25,766
– Dividend income	6,586	16,350	22,077
– Rental income	2,244	2,644	2,767
Gross profit	96,204	44,449	37,812
Other income and other gains and losses	(39,846)	7,213	71,446
Distribution and selling expenses	(36,161)	(3,628)	(10,137)
Administrative expenses	(42,665)	(33,741)	(34,711)
(Loss) Gain on fair value changes of financial assets at fair value through profit or loss	(55,050)	(507,839)	338,020
(Impairment loss) reversal of impairment loss on property, plant and equipment	(71,429)	32,865	–
Finance costs	(18,621)	(7,319)	(9,164)
(Loss) Profit for the year attributable to the owners of the Company	(161,784)	(463,271)	386,589

Financial performance for FY2022 vs FY2021

The Group recorded a revenue of approximately US\$69.0 million for FY2022, representing a decrease of approximately 12.3% as compared with that of approximately US\$78.7 million for FY2021. According to Annual Report 2022 and the Management, the decrease in revenue was primarily due to the decrease in dividend income from financial instruments, particularly dividend from fund investment and unlisted equity investment. Nevertheless, the gross profit of the Group increased from approximately US\$37.8 million for FY2021 to approximately US\$44.4 million for FY2022, representing an increase of approximately 17.5%. According to Annual Report 2022 and the Management, such increase was mainly due to the improvement of the price of coal in FY2022 despite the decrease in sales in terms of tonnes by the Group, resulting in a change from a gross loss of approximately US\$12.8 million for FY2021 to a gross profit of approximately US\$2.3 million for FY2022 for the mining business of the Group. In particular, we note that based on the amount of and revenue generated from coal sold by the Group for FY2021 and FY2022, the average selling price of coal sold by the Group increased from approximately US\$100.5 per tonne for FY2021 to approximately US\$305.5 per tonne for FY2022, which coincided with the surge in market price of coking coal in 2021 as discussed in the “(d) Market outlook of the Group” below in this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a loss attributable to owners of the Company of approximately US\$463.3 million for FY2022 as compared with a profit attributable to owners of the Company of approximately US\$386.6 million for FY2021. According to the annual report for FY2021 and the Management, the profit attributable to owners of the Company of approximately US\$386.6 million was mainly contributed by (i) gain on fair value changes of financial assets at fair value through profit or loss amounting to approximately US\$338.0 million, which in turn was mainly due to unrealised gain on the listed shares (“**China Evergrande Vehicle Shares**”) of China Evergrande New Energy Vehicle Group Limited (“**China Evergrande Vehicle**”, HKEX stock code: 708) at the amount of approximately US\$282.0 million; and (ii) other income and other gains and losses of approximately US\$71.4 million, which in turn was mainly due to net foreign exchange gain of approximately US\$67.3 million. According to Annual Report 2022 and the Management, the loss attributable to owners of the Company of approximately US\$463.3 million for FY2022 was mainly contributed by loss on fair value changes of financial assets at fair value through profit or loss of approximately US\$507.8 million for FY2022, which in turn mainly consisted of (i) realised loss related to the Group’s disposal of all China Evergrande Vehicle Shares at the amount of approximately US\$292.2 million, where details of the disposal were disclosed in the Company’s announcement dated 5 October 2021; (ii) realised loss related to the Group’s disposal of senior notes (“**Evergrande Notes**”) issued by China Evergrande Group (“**China Evergrande**”, HKEX stock code: 3333) and Scenery Journey Limited (“**Scenery Journey**”, an indirect wholly-owned subsidiary of China Evergrande), amounting to approximately US\$33.5 million, where details of the disposals of Evergrande Notes were disclosed in the Company’s announcement dated 11 October 2021 and 1 December 2021; and (iii) unrealised loss of approximately US\$132.9 million on the Evergrande Notes held due to the outburst of China Evergrande liquidity crisis. The above disposals of China Evergrande Vehicle Shares and Evergrande Notes by the Group were to reduce its exposure and potential investment losses in view of the then liquidity crisis of China Evergrande, being the parent company of both China Evergrande Vehicle and Scenery Journey.

Financial performance for FY2023 vs FY2022

The revenue of the Group for FY2023 amounted to approximately US\$227.1 million, representing a significant increase of approximately 229.1% as compared with that of approximately US\$69.0 million for FY2022. The gross profit of the Group also increased from approximately US\$44.4 million for FY2022 to approximately US\$96.2 million for FY2023, representing an increase of approximately 116.7%. As disclosed in Annual Report 2022, Annual Report 2023 and according to the Management, the increase in revenue and gross profit were mainly due to the substantial increase in sales of coals (820,447 tonnes sold in FY2023 as compared with 88,000 tonnes sold in FY2022). The mining business generated revenue and gross profit of approximately US\$215.9 million and US\$84.9 million respectively for FY2023 after the resumption of the mining operations in October 2021, i.e. second half of FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The loss attributable to owners of the Company was approximately US\$161.8 million for FY2023, representing decrease by approximately US\$301.5 million from that of approximately US\$463.3 million for FY2022. As disclosed in Annual Report 2023 and according to the Management, the decrease in loss was primarily attributable to (i) the decrease in loss on fair value changes of financial assets at fair value through profit or loss by approximately US\$452.8 million (as further explained below); and (ii) the increase in gross profit by approximately US\$51.8 million as mentioned above, and slightly offset by (iii) the change from reversal of impairment loss on property, plant and equipment of approximately US\$32.9 million for FY2022 to impairment loss on property, plant and equipment of approximately US\$71.4 million for FY2023 (i.e. a net effect of US\$104.3 million) (as further explained below); (iv) the change from a gain for other income and other gains and losses of approximately US\$7.2 million for FY2022 to a loss of approximately US\$39.8 million (i.e. a net effect of US\$47.0 million), which mainly consisted of a net foreign exchange loss of approximately US\$43.4 million mainly due to strong US dollar against Canadian dollar during FY2023; and (v) the increase in distribution and selling expenses by approximately US\$32.6 million which was in line with increase in sales of coal for FY2023.

Regarding item (i) above, i.e. financial assets at fair value through profit or loss, according to Annual Report 2022, the Group no longer held any China Evergrande Vehicle Share after FY2022 and the carrying amount of the Evergrande Notes held as at 31 March 2022 was substantially lower (approximately US\$21.0 million) as compared with that as at 31 March 2021 (approximately US\$178.7 million). Accordingly, there were no longer significant realised/unrealised loss related to China Evergrande Vehicle Share and Evergrande Notes for FY2023 as compared with FY2022 (US\$458.6 million in aggregate). Regarding item (iii) above, i.e. impairment loss on property, plant and equipment for FY2023, it was related to the mining property assets in Canada mining operations, determined based on the recoverable value of the coal mine assets as of 31 March 2023 and its carrying value in accordance with Hong Kong Accounting Standard 36 “Impairment of Assets”. Please refer to the section headed “Management Discussion and Analysis – Segment Information – A. Mining Business” in Annual Report 2023 for details of the major assumptions adopted by the Management in the model for impairment testing.

Background of the mining business of the Group

As disclosed in Annual Report 2023 and as discussed with the Management, the Company, via its indirect non-wholly owned subsidiary (owned as to 88% by the Group), CST Canada Coal Limited (“**CST Coal**”), owns the mining assets located in West Central Alberta, Canada. CST Coal currently has approximately 29,968 hectares under coal lease. Due to the outbreak of COVID-19 pandemic, the mine was placed in care and maintenance in mid May 2020 until early October 2021. Surface mining at No. 8 mine began in November 2021 with 2 crews and the processing plant started limited operations in December 2021. After the resumption of the mining operations, CST Coal continues to successfully operate its surface mining activities at No. 8 mine and the processing plant. For latest published details regarding the mine and the mining operations of the Group, please refer to the section headed “Project Overview” in Annual Report 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The mining business of the Group contributed approximately 95.0% of revenue of the Group for FY2023. Given the significance of the segment and the business being solely carried out by CST Coal, we further examined the financial results of CST Coal below for the historical performance of the mining business of the Group. Set out below is the summary of financial results of CST Coal during FY2021, FY2022 and FY2023 as extracted from Annual Report 2022 and Annual Report 2023:

	FY2023	FY2022	FY2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	215,859	26,883	28,100
Cost of sales	<u>(130,926)</u>	<u>(24,584)</u>	<u>(40,898)</u>
Gross profit (loss)	84,933	2,299	(12,798)
Other income and other gains and losses	(40,723)	4,299	69,035
Distribution and selling expenses	(36,161)	(3,628)	(10,137)
Administrative expenses ^(Note)	(17,241)	(10,440)	(8,219)
(Impairment loss) reversal of impairment loss on property, plant and equipment	(71,429)	32,865	–
Finance costs ^(Note)	<u>(18,189)</u>	<u>(6,474)</u>	<u>(8,102)</u>
(Loss) profit before taxation	(98,810)	18,921	29,779
Taxation	<u>(446)</u>	<u>(486)</u>	<u>(442)</u>
(Loss) profit after taxation	(99,256)	18,435	29,337

Note: Inter-company financial charges and management fee were not included.

We noted that the gross profit margin varied greatly, being approximately 8.6% and 39.3% for FY2022 and FY2023 respectively with a gross loss for FY2021. As discussed with the Management, the gross loss for FY2021 was mainly due to (i) the mine was placed in care and maintenance in for the majority of FY2021 as disclosed above; and (ii) the price of coking coal dropped significantly during FY2021. While CST Coal recorded gross profit for FY2022 and FY2023, we understand from the Management that (i) there were only one sale transaction in FY2022; and (ii) additional costs were incurred for restarting operations given the mine was placed in care and maintenance for a prolong period of over one year as well as recruitment of workers, both of these render the gross profit and gross profit margin for FY2022 not representative and hence not comparable with those for FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For illustration purpose, we also compared the average selling price of coking coal sold by the Group for FY2021, FY2022 and FY2023, which were calculated by dividing revenue by the tonnes of coal sold by the Group (279,530 tonnes, 88,000 tonnes and 820,427 tonnes respectively for FY2021, FY2022 FY2023 according to Annual Report 2022 and Annual Report 2023). We note that the average selling price was approximately US\$100.5 per tonne, US\$305.5 per tonne and US\$263.1 per tonne for FY2021, FY2022 and FY2023 respectively. As further discussed in the “(d) Market outlook of the Group” below in this letter, the market price of coking coal experienced significant fluctuation, rose from approximately US\$100 per tonne in January 2021 to over US\$600 in mid-March 2022, then gradually dropped to approximately US\$250 per tonne in November 2022. We understand that as coking coal is a commodity, the Group’s average selling price of coal largely followed the trend of market price. Therefore, notwithstanding the improvement of the mining business of the Group in terms of revenue and gross profit in FY2023, there is no guarantee that the financial performance of the Group would be maintained or improved in the near future should there be any fluctuation in market price of coking coal. In this regard, please refer to the paragraph headed “(d) Market outlook of the Group” in this letter below for the discussion of, among others, the historical fluctuation in market price of coking coal and the prospect of coal mining business in general.

We also noted that, according to the announcement of the Company dated 12 July 2023 (the “**Facilities Amendment Announcement**”), CST Coal as borrower and China Minsheng Banking Corp., Ltd. (“**CMBC**”) as lender entered into an amendment and restatement agreement (the “**Amendment and Restatement Agreement**”) to amend and restate the facilities agreement dated 17 July 2018 in relation to the provision of term loan facilities in the aggregate amount of approximately US\$409.41 million (the “**CMBC Facilities**”). Pursuant to the Amendment and Restatement Agreement, CMBC has agreed to (i) extend the maturity date of the CMBC Facilities and all interest accrued and to be accrued thereon from 17 July 2023 to 17 July 2028 and (ii) replace the interest rate of 1.2% over 3-month LIBOR with 1.2% over daily simple SOFR. Other than the foregoing, all other major terms and conditions of the Facilities Agreement remain in effect and unchanged.

Having considered that (i) the extension of maturity date of the CMBC Facilities would relieve the Group from immediate cash outflow; (ii) the change from 3-month LIBOR to daily simple SOFR was due to the phase-out of LIBOR (according to the website of Bank of England, publication of most LIBOR settings has now ended with the publication of the remaining four settings scheduled to cease in March 2024 and September 2024 respectively); and (iii) according to the information provided by the Management, as at 17 July 2023, 3 month LIBOR was 5.56% while daily simple SOFR was 5.06%, we are of the view that the extension of the CMBC Facilities (i) has relieved the net current liabilities position of the Group as at 31 March 2023 (as detailed in the paragraph headed “Financial position as at 31 March 2023 and 31 March 2022” in this letter below); and (ii) will not have material impact on the financial performance of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position as at 31 March 2023 and 31 March 2022

	As at 31 March 2023 <i>(US\$'000)</i> <i>(Audited)</i>	As at 31 March 2022 <i>(US\$'000)</i> <i>(Audited)</i>
Current assets	203,629	248,461
– <i>Financial assets at fair value through profit or loss</i>	<i>81,951</i>	<i>75,421</i>
– <i>Bank balances and cash</i>	<i>59,318</i>	<i>51,665</i>
– <i>Loan receivables</i>	<i>17,809</i>	<i>74,067</i>
Current liabilities	521,634	151,461
– <i>Bank and other borrowings – amount due within one year</i>	<i>463,717</i>	<i>99,679</i>
– <i>Guarantee liability</i>	<i>40,100</i>	<i>40,100</i>
Net current (liabilities)/assets	(318,005)	97,000
Non-current assets	485,067	601,570
– <i>Property, plant and equipment</i>	<i>248,117</i>	<i>365,777</i>
– <i>Financial assets at fair value through profit or loss</i>	<i>135,291</i>	<i>127,778</i>
Non-current liabilities	37,282	411,922
– <i>Provision for mine rehabilitation cost</i>	<i>25,584</i>	<i>27,125</i>
– <i>Bank and other borrowings – amount due after one year</i>	–	<i>376,171</i>
Net assets/total equity	129,780	286,648
– <i>Equity attributable to owners of the Company</i>	<i>157,870</i>	<i>302,044</i>
– <i>Non-controlling interests</i>	<i>(28,090)</i>	<i>(15,396)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a net current liabilities of approximately US\$318.0 million as at 31 March 2023 as compared to net current assets of approximately US\$97.0 million as at 31 March 2022. As discussed with the Management, such change was mainly due to (i) the increase in bank and other borrowings (amount due within one year) by approximately US\$364.0 million, as the CMBC Facilities due in July 2023 was fully classified as current liabilities as at 31 March 2023 (with carrying amount of approximately US\$456.6 million (inclusive of interest accrued) and due date within one year). As at 31 March 2022, approximately US\$376.2 million (inclusive of interest accrued) of the CMBC Facilities was classified as non-current liabilities while approximately US\$85.0 million was classified as current liabilities; and (ii) the decrease in loan receivables by approximately US\$56.3 million, as the Group has been prudent in granting new loans and continue to adopt a conservative approach in developing this business as mentioned above. For details of the CMBC Facilities, please refer to Annual Report 2023. As discussed with the Management and according to the Facilities Amendment Announcement, the CMBC Facilities have been renewed with due date extended by five years to 17 July 2028. Accordingly, the above net current liabilities position of the Group as at 31 March 2023 was only a temporary situation.

The net asset of the Group decreased by approximately US\$156.8 million from approximately US\$286.6 million as at 31 March 2022 to approximately US\$129.8 million as at 31 March 2023. As discussed with the Management, such decrease was mainly due to the decrease in property, plant and equipment by approximately US\$117.7 million, which mainly consists of the impairment of property, plant and equipment of approximately US\$71.4 million related to the mining business as discussed in the paragraph headed “Financial performance for FY2023 vs FY2022” above in this letter.

(c) Dividends

We noted that the Company has adopted a dividend policy, pursuant to which the Board may declare and distribute dividends taking into account, *inter alia*, the Company’s financial results, the general financial condition of the Company, the Company’s current and future operations, the level of the Company’s debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Company and any other factors that the Board deem appropriate. No dividend was declared by the Board for years 2014 to 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Explanatory Memorandum in the Scheme Document, as at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlement of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, this Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

(d) Market outlook of the Group

As stated in Annual Report 2023 and as discussed with the Management, we noted that (i) mining business contributed the majority (i.e. approximately 95.0%) of revenue of the Group for FY2023; and (ii) the assets of mining business segment, investments in financial instruments segment, property investment segment and money lending business accounted for approximately 51.9%, 35.0%, 5.1% and 2.6% of the total assets of the Group respectively as at 31 March 2023 (with the remaining 5.4% being unallocated assets). Therefore, we focus on the market outlook of the mining business and investments in financial instruments segments.

Regarding the mining business, according to the Management, the majority of coking coal were sold by the Group for exports to steel mills located in Asian countries for the purposes of steelmaking, in particular, (i) approximately 60% to China and approximately 40% to Japan for FY2021; (ii) 100% to Malaysia and Indonesia ordered by the same customer for FY2022, which might not be representative as there was only one sales transaction during FY2022; and (iii) approximately 56% to Korea and approximately 40% to China for FY2023. We have studied a report titled “Coal 2022” (the “**Coal 2022**”) published in December 2022 by International Energy Agency (“**IEA**”), an intergovernmental organisation which provides policy advice to its 31 member countries and 13 associated countries regarding secure, affordable and sustainable energy. IEA has forecasted the demand for metallurgical coal, which includes coking coal (the product mined and sold by the Group) and pulverised coal injection coal and is a primary ingredient in steelmaking, based on steel production projects, industrial production, gross domestic product growth and other factors. Set out below is the (forecasted) consumption and import for year 2020, 2021, 2022 and 2025 for the world as a whole, the Asia Pacific region and China according to Coal 2022:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consumption by region/country

<i>(million tonnes)</i> ^(Note 1)	2020	2021	2022	2025
World	1,095	1,110	1,080	1,078
<i>Growth (%)</i> ^(Note 2)	–	1.3	(2.7)	(0.1)
– Asia Pacific ^(Note 3)	915	911	900	900
<i>Growth (%)</i> ^(Note 2)	–	(0.4)	(1.2)	0.0
• China	739	720	708	694
<i>Growth (%)</i> ^(Note 2)	–	(2.5)	(1.7)	(0.7)
• India	66	75	76	92
<i>Growth (%)</i> ^(Note 2)	–	12.9	2.0	6.6
• Japan	42	44	44	40
<i>Growth (%)</i> ^(Note 2)	–	3.6	0.2	(3.2)
• Southeast Asia	17	24	25	28
<i>Growth (%)</i> ^(Note 2)	–	41.6	5.8	4.0

Import by region/country

<i>(million tonnes)</i> ^(Note 1)	2020	2021	2022	2025
World	321	324	307	326
<i>Growth (%)</i> ^(Note 2)	–	1.1	(5.4)	2.1
– China ^(Note 3)	73	55	45	52
<i>Growth (%)</i> ^(Note 2)	–	(24.6)	(17.3)	5.0
– Korea ^(Note 3)	37	36	35	33
<i>Growth (%)</i> ^(Note 2)	–	(3.5)	(3.0)	(1.6)
– Japan ^(Note 3)	42	44	44	40
<i>Growth (%)</i> ^(Note 2)	–	3.6	0.2	(3.2)
– India ^(Note 3)	63	66	69	84
<i>Growth (%)</i> ^(Note 2)	–	5.1	5.4	6.8
– Europe ^(Note 3)	51	58	55	52
<i>Growth (%)</i> ^(Note 2)	–	13.9	(5.0)	(1.7)
– Rest of world ^(Note 3)	55	66	58	64
<i>Growth (%)</i> ^(Note 2)	–	19.6	(11.6)	3.3

Source: Coal 2022, IEA

Note:

1. The data for 2020 and 2021 are from IEA statistics, where 2021 are preliminary and 2022 are estimated by IEA. Figures for 2025 are forecasts by IEA. There may be differences due to rounding.
2. The growth rates for 2021 and 2022 are annual growth rates compared with previous year, while that for 2025 represents compound annual growth rate as compared with 2022.
3. Metallurgical coal consumption by Korea is not shown in Coal 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that China, which consumed the most amount of metallurgical coal in Asia Pacific region and the world in general, had lower consumption for 2021 and 2022 when compared with that of 2020 and is predicted to consumed even lower amount of metallurgical coal in 2025 as compared with that in 2022. As stated in Coal 2022, such prediction was based on the assumptions regarding the annual growth rates of gross domestic output of 4.7% and industrial production of 5.0%, with weakened growths due to (i) the Chinese government's zero-Covid policy that has led to lockdowns and impact domestic consumption and industrial production; and (ii) reduction in new construction activities as a result of collapse of China's real estate market. Overall, the Asia Pacific region recorded decrease in consumption for 2021 and 2022 and is predicted to have no growth in demand in 2025 as compared with that in 2022.

Regarding the above assumptions for the forecasts of China's consumption of metallurgical coal, while there were no longer lockdowns or similar restrictions to control Covid cases in China, we noted from the latest statistics available from the website of the National Bureau of Statistics of China ("NBS") that there were indeed decline in construction activities in China which might lead to weakened demand for steel. In particular, the accumulated investment by real estate companies dropped from approximately RMB9.08 trillion for the eight months ended 31 August 2022 to approximately RMB7.69 trillion for the eight months ended 31 August 2023 (representing a decrease by approximately 15.3%), whereas the accumulated floor space of buildings of new construction fell from approximately 850.6 million square meter for the eight months ended 31 August 2022 to approximately 638.9 million square meter for the eight months ended 31 August 2023 (representing a decrease by approximately 24.9%). Further, we note from the website of NBS that China's accumulated output of crude steel increased from approximately 693.1 million tons for the eight months ended 31 August 2022 to approximately 712.9 million tons for the eight months ended 31 August 2023 (representing an increase by approximately 2.9%), while China's accumulated gross domestic product increased from approximately RMB56.5 trillion for the first half of 2022 to approximately RMB59.3 trillion for the first half of 2023 (representing an increase by approximately 5.0%). Although the annual growth rates adopted by IEA are for a three year period through 2025, the actual rates in the first half/first eight months of 2023 are close to the assumption. Also taking into account that there has been indeed a decline in construction activities which require steel, we consider that the forecasts by IEA is justifiable.

As there are no forecasted consumption amount for Korea in Coal 2022, another major country for the export of the Group for FY2023, we resorted to review the import amount of metallurgical coal instead which can serve as a proxy for demand. We note that the import amount for Korea exhibited a decreasing trend for 2021 and 2022 and is forecasted to continue such trend up to 2025. As stated in Coal 2022, their forecasted decrease in import is mainly based on the high energy prices that weighed on steel demand and production.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as stated in Coal 2022, we noted that coking coal prices surged in 2021 driven global economic growth and, in particular, by strong demand from China. The price of Australian met coal low-volatile FOB, a commonly used indicator of coking coal price, rose from approximately US\$100 per tonne in January 2021 to over US\$300 per tonne in December 2021. Coking coal price continued to rise in early 2022 with a spike when the uncertainty associated with Russian invasion affected the market. The price of Australian met coal low-volatile FOB finally reached a peak of over US\$600 per tonne in mid-March 2022. Nonetheless, the price has declined due to fears of global recession and weak performance of China's steel industry since June 2022 and was approximately US\$250 per tonne in November 2022.

Based on the previous events, historical price for coking coal as well as the consumption pattern of metallurgical coal, we note that China has played an important role in the price of coking coal given that it has been the largest consumer accounting for over 60% demand of the world for 2020, 2021 and 2022 based on the table above. If China's demand for metallurgical coal continued to fall as predicted by IEA in Coal 2022, the price for coking coal might be severely affected in the future.

Having considered (i) the price of coking coal had been highly volatile in recent years and was highly correlated to the demand from China, being the largest consumer; (ii) the predicted negative growth in consumption in metallurgical coal by China and in import of metallurgical coal by Korea, and no growth in consumption by the world in general, we consider that there remains uncertainty in the prospect of the mining business of the Group.

As stated in Annual Report 2023, total fair value of financial instruments amounted to approximately US\$217.2 million as at 31 March 2023 (which account for approximately 31.5% of total assets of the Group), of which (i) approximately US\$44.5 million or 20.5% was shares of listed companies; (ii) approximately US\$13.1 million or 6.0% was debt securities; and (iii) approximately US\$159.6 million or 73.5% was fund and unlisted equity investments. We have reviewed the full list of over 50 financial instruments held by the Group as at 31 March 2023 as provided by the Management, and note that:

- (i) the top five listed shares included (a) Carnival Corporation (New York Stock Exchange ticker: CCL), a British-American cruise operator listed in the United States; (b) Shengjing Bank Co., Ltd. (Stock Exchange code: 2066), a bank in China listed in Hong Kong; (c) China Overseas Land & Investment Limited (Stock Exchange code: 688), a company engaged in property business in China and listed in Hong Kong; (d) Rivian Automotive, Inc. (Nasdaq ticker: RIVN), a American automotive manufacturer listed in the United States; and (e) Huishang Bank Corporation Limited (Stock Exchange code: 3698), a bank in China listed in Hong Kong;
- (ii) all the debt securities were various senior notes issued by China Evergrande and its subsidiaries;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the top six investments in fund and unlisted equity investments included investments in (i) a fund investing in financial products in Asia Pacific region; (ii) a fund investing in different companies engaged in business-to-business software and technology business around the world; (iii) a private company which is a financial services provider in Hong Kong; (iv) two private companies which mainly invest in financial assets in Hong Kong; and (v) a private company which mainly engages in development of immunotherapies for cancers and other diseases; and
- (iv) the above twelve investments were selected with the criterion that their fair value as at 31 March 2023 accounted for not less than 5% of fair value of the corresponding categories, and they in aggregate accounted for approximately 65.2% of the total fair value of financial instruments of the Group as at 31 March 2023, i.e. approximately US\$141.6 million, and none of them was considered as significant investment, which has a carrying amount accounting for more than 5% of the Group's total assets as at 31 March 2023.

In view of such a diversified portfolio with financial instruments of different nature (listed and unlisted equities, debt securities and funds), with funds investing in different targets (technology companies and financial products), issuers of the relevant listed and unlisted securities engaging in different business (bank and financial services, property, manufacturing, travel, investment, medical) and investment targets or operating location in different regions (e.g. United States, China, Hong Kong) even among just the aforementioned top twelve investments, we consider that it is not feasible to analyse any particular industry or region to have a complete outlook for this business segment.

Nonetheless, we are aware of the tightening monetary policies implemented by the different regions and countries, including the European Union, United States, United Kingdom, since early 2022. Particularly, (i) according to the website of the European Central Bank, the interest rates set by the European Central Bank has risen from 0.5 percent in July 2022 to 4.25 percent in August 2023, which was the highest since July 2008 (4.25 percent); (ii) according to website of the Federal Reserve System, the target range for the federal funds rate of the United States has continued risen from the recent bottom of 0 to 0.25 percent in March 2020 to 5.25 to 5.50 percent in July 2023, which was the highest since August 2007 (5.25 to 5.75 percent); (iii) according to the website of Bank of England, the official bank rate in the United Kingdom has risen from the recent bottom of 0.1 percent in April 2020 to 5.25 percent in August 2023, which was the highest since February 2008 (5.5 percent). These tightening monetary policies to effectively manage inflation, however, increase the cost of borrowing of companies and investors and lower the present value of future income of companies and debt securities, such as senior notes, issued by debt securities issuer, thereby exerting pressure on the share prices of listed shares in the stock market as well as price of debt securities in the bond market.

Economic growth also shapes the outlook of the investment market, as a forecasted economic growth leads to greater investor confidence. We have reviewed the report titled “World Economic Outlook Update, July 2023” published by the International Monetary Fund, the financial agency of the United Nations, in July 2023. We noted that (i) inflation rate remains high which erodes purchasing power of households; (ii) the aforesaid tightening policy adopted by relevant authorities has raised the cost of borrowing which in turn constrains economic activity; (iii) higher interest rate adversely impacts banks through higher cost of funding as well as increased credit risk; (iv) the recovery of China’s economic activities has lost momentum given continued weakness in real estate sector and rising and elevated youth unemployment, all of which contribute to the forecasted slowdown in global economic growth. The annual growth rate in output is projected to fall from 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024, which is below the historical annual average of 3.8 percent for the period from 2000 to 2019. There are also several downside risks including (i) possible persisting inflation due to tight labour market, extreme weather that raises commodity price and war in Ukraine that further raises food and fuel prices; (ii) probable underperforming recovery of China that has negative implications for its trading partners; and (iii) potential geo-economics fragmentation amid the war in Ukraine and other geo-political tensions which might intensify with more restrictions on trade and cross-border movements of capital, technology and workers. These downside risks, when materialised, would impact the market sentiment in investment market.

In view of (i) the increase in interest rates by central banks around the globe which exert pressure on prices of listed shares and debt securities alike; (ii) the forecasted slowdown in global economic growth which may lead to lower investor confidence; (iii) several downside risks to the economic outlook which, when materialised, would impact market sentiment as stated above, we consider that there may be fluctuation in financial asset price and the prospect of the investment market remains uncertain.

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

(a) Information on 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 67, 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.

(b) Intention of the Offeror with regard to the Group

As stated in the Explanatory Memorandum, following the implementation of the Proposal, the Offeror does not intend to continue the listing of the Shares. It is the intention of the Offeror that, if the Scheme becomes Effective, the Company will be delisted from the Stock Exchange and the Group will continue to carry on its current business, and the Offeror does not have specific plans to make any major changes to the business of the Group (including any redeployment of fixed assets of the Group and the continued employment of the employees of the Group) upon the successful delisting of the Company. After completion of the Proposal, the Offeror will continue to consider how to develop the Company in a manner which best enhances value and, in that regard, will consider growing its business as well as market opportunities which will be dependent on a number of factors including market conditions, legal and regulatory requirements and its business needs.

3. Principal terms of the Scheme

(a) Comparison of the market prices of the Shares

The Cancellation Price of HK\$1.00 for each Scheme Share represents:

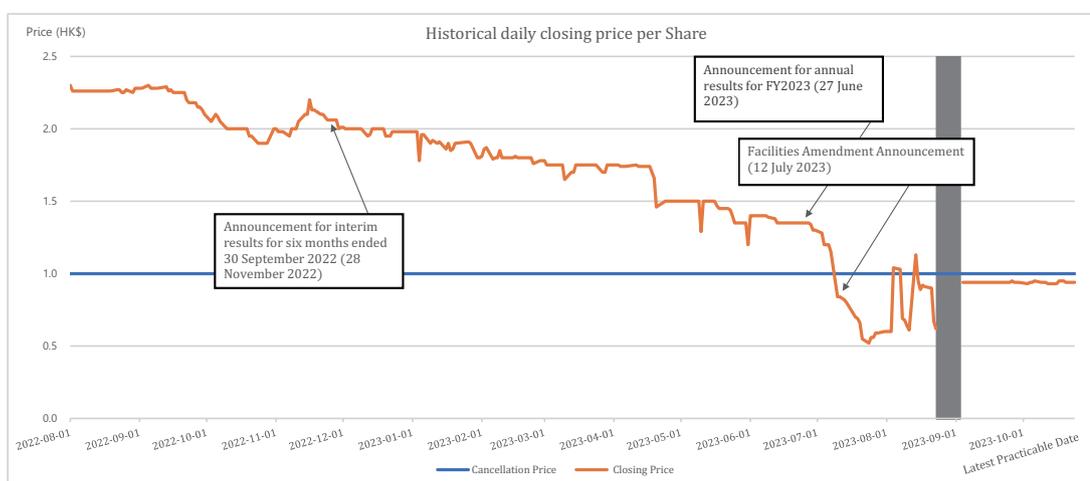
- (i) a premium of approximately 6.38% over the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on 24 October 2023, being the Latest Practicable Date;
- (ii) a premium of approximately 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 23 August 2023, being the Last Trading Day;
- (iii) a premium of approximately 49.25% over the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on 22 August 2023, being the full trading day immediately prior to the Last Trading Day;
- (iv) a premium of approximately 24.38% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.804 per Share;
- (v) a premium of approximately 21.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.824 per Share;
- (vi) a premium of approximately 36.61% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.732 per Share;
- (vii) a discount of approximately 1.38% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$1.014 per Share;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (viii) a discount of approximately 14.89% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$1.175 per Share;
- (ix) a discount of approximately 24.01% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day of approximately HK\$1.316 per Share;
- (x) a discount of approximately 33.82% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$1.511 per Share; and
- (xi) a discount of approximately 60.68% to the audited consolidated net asset value attributable to Shareholders of the Group per Share of approximately US\$0.326 (equivalent to approximately HK\$2.543) as at 31 March 2023, calculated by dividing the Group's audited consolidated net asset value attributable to Shareholders of approximately US\$157,870,000 as at 31 March 2023 by 483,728,862 Shares in issue as at the Latest Practicable Date and based on the exchange rate of US\$1=HK\$7.80.

(b) Historical price performance of the Shares

The graph below shows Cancellation Price and the movement of the closing prices of the Shares during the period from 1 August 2022, being the first date of the twelfth month prior to the Last Trading Day (i.e. 23 August 2023), to the Latest Practicable Date (the “**Review Period**”). In determining the length of the Review Period, we have considered a review period of longer than twelve months prior to the Last Trading Day may not reflect the latest market conditions. Accordingly, we consider the Review Period adopted is fair and reasonable.



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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the graph above (where the shaded area indicates the period in which the trading of the Shares was halted pending the issue of the Joint Announcement), the closing prices of the Shares followed a general downward trend during the Review Period, where the closing price of the Shares dropped by approximately 73.0% from the highest of HK\$2.30 in August 2022 to HK\$0.62 on the Last Trading Day.

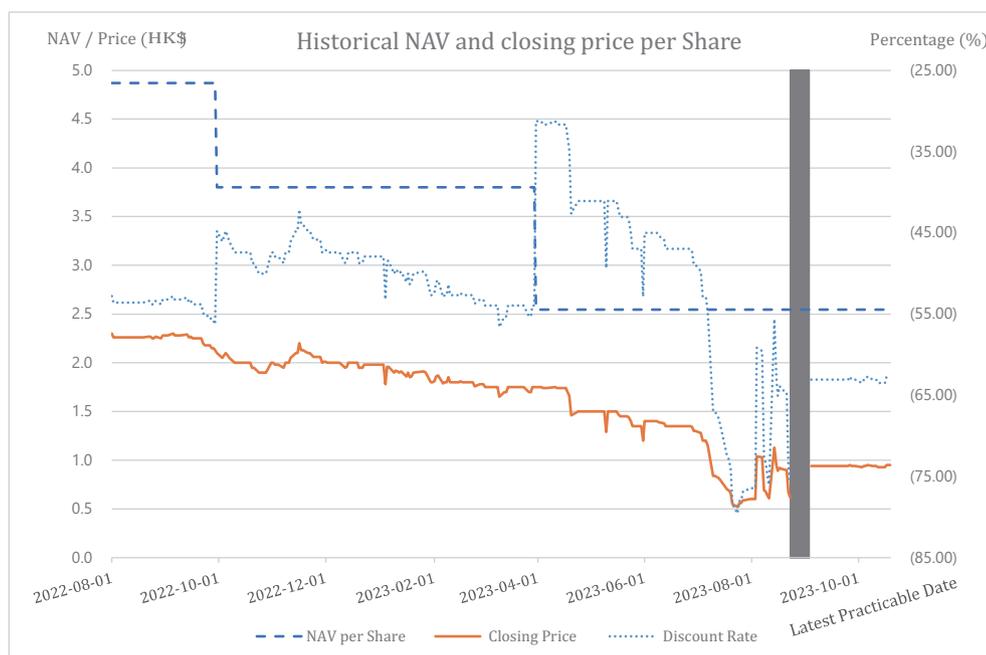
In particular, there was a relatively deep drop from HK\$1.15 per Share on 7 July 2023 to HK\$0.84 per Share on 10 July 2023. We have noted that save for the Facilities Amendment Announcement dated 12 July 2023 (i.e. after the decrease in closing price of the Shares), the Company did not issue any announcement within one week before and after the 10 July 2023. We have also discussed with the Management on the possible reasons for the drop in closing price of the Shares but they were not aware of any. The closing price of the Shares continued to move downward until it fluctuated in early August 2023, notably (i) it surged from HK\$0.60 per Share on 3 August 2023 to HK\$1.04 per Share on 4 August 2023; (ii) it dropped back to HK\$0.69 per Share on 8 August 2023 from HK\$1.03 per Share on 7 August 2023; (iii) it surged for one day from HK\$0.61 per Share on 11 August 2023 to HK\$1.13 per Share on 14 August 2023; and (iv) from the peak of HK\$1.13 per Share on 14 August 2023, it gradually dropped to HK\$0.62 on 23 August 2023 (i.e. the Last Trading Day). We note that save for (i) the announcement of the Company dated 10 August 2023 related to restructuring plan of China Evergrande and its subsidiaries regarding the Evergrande Notes; (ii) the announcement of the Company dated 24 August 2023 for trading halt pending the release of the Joint Announcement; and (iii) the Joint Announcement, the Company did not issue any announcement during August 2023 or within one week before and after August 2023. As discussed with the Management, save as disclosed, they were not aware of any affairs of the Group which could possibly result in such fluctuations. The closing price of the Shares went up to slightly below the Cancellation Price of HK\$1.00 after the Last Trading Day.

During the Review Period, the closing prices of the Shares ranged from the highest of HK\$2.30 per Share recorded on 1 August 2022 and 5 September 2022 to the lowest of HK\$0.52 per Share recorded on 24 July 2023, with an average of approximately HK\$1.62 per Share. During the Review Period, the Cancellation Price of HK\$1.00 per Share (i) represents a discount of approximately 56.5% to highest closing price of HK\$2.30 per Share; (ii) represents a premium of approximately 92.3% over the lowest closing price of HK\$0.52 per Share; and (iii) represents a discount of approximately 38.3% to the average closing price of approximately HK\$1.62 per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) *Discount to net asset value attributable to Shareholders per Share*

The graph below shows net asset value attributable to owners of the company (“NAV”) per Share for the Company (represented by the dashed line and plotted against the left axis), the movement of the closing prices of the Shares (represented by the solid line plotted against the left axis) and the discounts represented by the closing prices of the Shares to the NAV per Shares (represented by the dotted line and plotted against the right y-axis) during the Review Period (where the shaded area indicates the period in which the trading of the Shares was halted pending the issue of the Joint Announcement).



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

Note: The NAV per Share plotted on a particular date is calculated by dividing (i) the Group’s NAV as stated in the then latest interim reports or annual reports published by the Company by (ii) the then number of Shares in issue as at that date, and converted based on the illustrative exchange rate of US\$1=HK\$7.80. The discounts represented by the closing prices of the Shares to the NAV per Share on a particular date is calculated by dividing the NAV per Share on that date and the closing price of the Share on that date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the interim reports or annual reports published by the Company during the Review Period, we noted that the NAV per Share was approximately US\$0.624, US\$0.488 and US\$0.326 per Share (equivalent to approximately HK\$4.867, HK\$3.806 and HK\$2.543 respectively, based on the illustrative exchange rate of US\$1=HK\$7.80) as at 31 March 2022, 30 September 2022 and 31 March 2023 respectively. Accordingly, the closing prices of the Shares have always been well below the NAV per Share throughout the Review Period, with discount rates (indicated by the dotted line in the graph above) ranging from approximately 31.3% (represented by the closing price of HK\$1.75 on 31 March 2023, 3 April 2023 and 11 April 2023 to the NAV per Share of approximately HK\$2.543 per Share as at 31 March 2023) to 79.6% (represented by the closing price of HK\$0.52 on 24 July 2023 to the NAV per Share of approximately HK\$2.543 per Share as at 31 March 2023), with an increasing trend in discount rates inversely related to the decreasing trend in closing price of the Shares.

Notwithstanding the low trading volume of the Shares in the Review Period (with average daily volume of the Shares representing approximately (i) 0.009% and (ii) 0.037% to (i) total issued share capital and (ii) the total number of issued Shares held by public Shareholders for the Review Period) as detailed in the paragraph headed “(d) Historical trading liquidity of the Shares” below, having considered that the closing prices of the Shares have consistently represented substantial discount to the NAV per Share throughout the Review Period, it implies that the Shareholders and investors may not value the Shares based solely on the NAV per Share 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 per Share when considering realisation of the investment in the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Historical trading liquidity of the Shares

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

	Number of trading days in each month/period	Average daily trading volume (Note 1)	Percentage of average daily trading volume to total issued share capital (%) (Note 2)	Percentage of average daily volume of the Shares to the total number of issued Shares held by public Shareholders (%) (Note 3)
2022				
August	23	21,310	0.004	0.017
September	21	28,434	0.006	0.023
October	20	28,283	0.006	0.023
November	22	21,910	0.005	0.018
December	20	102,135	0.021	0.083
2023				
January	18	35,766	0.007	0.029
February	20	52,387	0.011	0.043
March	23	17,952	0.004	0.015
April	17	13,785	0.003	0.011
May	21	8,058	0.002	0.007
June	21	72,922	0.015	0.059
July	20	84,195	0.017	0.069
August	17	35,533	0.007	0.029
September	19	132,269	0.027	0.108
October (up to the Latest Practicable Date)	15	31,045	0.006	0.025
Review Period	297	45,400	0.009	0.037

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 at the end of each month or as at the Latest Practicable Date, where applicable.
3. 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, which is the difference between the total number of issued Shares and the Shares held by the Offeror and the Offeror Concert Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As depicted above, during the Review Period, the average daily trading volume represents approximately (i) 0.002% to 0.027% of total issued share capital; and (ii) 0.007% to 0.108% of the total number of Shares in issue held by public Shareholders at the end of the respective month. We noted that the average daily trading volume were higher for September 2023, during which the Joint Announcement was published. Based on the above, we consider that the liquidity of the Shares had been thin throughout 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 Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market, should they wish to realise their investment, without exerting downward pressure on the price of the Shares.

(e) Comparable analysis

In assessing the fairness and reasonableness of the Share Offer, we have attempted to compare the price-to-earnings ratio (“**PE Ratio**”) and price-to-book ratio (“**PB Ratio**”), which are two commonly used benchmark in valuing a company by comparing its market capitalisation with its profit attributable to owners of the company and NAV respectively, with other listed companies in Hong Kong with business similar to that of the Company. A relatively higher PE Ratio or PB Ratio imply that the price of company is more favourable to the seller. However, given that the Company recorded loss attributable to owners of the Company for FY2023, PE Ratio is not applicable. As such, we adopted price-to-sales ratio (“**PS Ratio**”), which compare a company’s market capitalisation with its revenue, instead of PE Ratio.

As stated in the paragraph headed “(d) Market outlook of the Group” above in this letter, we noted that (i) mining business contributed the approximately 95.0% of revenue of the Group for FY2023; and (ii) the assets of mining business segment and investments in financial instruments segment accounted for approximately 51.9% and 35.0% of the total assets of the Group respectively as at 31 March 2023. In view of the above, we have attempted to search for companies listed on the Stock Exchange which are principally engaged in businesses with segment assets similar to the Group (i.e. both coal mining and investments in financial instruments) and revenue mainly generated from mining business, but identified none that fulfils the above criteria. Accordingly, we have resorted to search for two groups of companies listed on the Stock Exchange, where (i) the first group of companies are principally engaged in coal mining (the “**Coal Comparable Companies**”); and (ii) the second group of companies are principally engaged in investments in financial instruments (the “**Investment Comparable Companies**”), with the criteria that (i) respective segment assets contributed over 50% total assets according to latest published annual report or interim report; (ii) to take the size of companies into consideration, the market capitalisation of the Coal Comparable Companies and Investment Comparable Companies were not more than HK\$1 billion, as the market capitalisation of the Company implied by the Cancellation Price is approximately HK\$483.7 million; and (iii) for Coal Comparable Companies, over 50% of revenue was generated by coal mining business according to latest published annual report or interim report. Based on the above criteria, we identified exhaustive lists of 7 Coal Comparable Companies and 24 Investment Comparable Companies respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that:

- (i) approximately 95%, of revenue of the Group was generated by coal mining business for FY2023;
- (ii) the assets of mining business segment and investments in financial instruments segment accounted for approximately 51.9% and 35.0% of the total assets of the Group respectively as at 31 March 2023;
- (iii) there is no comparable company listed on the Stock Exchange which is principally engaged in businesses with segment assets similar to the Group (i.e. both coal mining and investments in financial instruments),

we decided to adopt PS Ratios of Coal Comparable Companies for the comparable analysis for fairness and reasonableness of the Cancellation Price as almost all revenue of the Group are generated from the mining business, and to include the PB Ratios of Coal Comparable Companies and Investment Comparable Companies as additional information for reference only given the distribution of segment assets of the Group.

Details of the Coal Comparable Companies are as set out below:

No.	Stock Code	Company name	Principal business	Market Capitalisation (HK\$ million) (Note 1)	Closing price (HK\$) (Note 1)	Revenue per share (HK\$) (Note 2)	NAV per share (HK\$) (Note 3)	PS Ratio (Note 4)	PB Ratio (Note 5)
1.	61	Green Leader Holdings Group Limited	Mining operation; systems integration services and software solutions; cassava starch operation; and coal operation	24.7	0.047	4.381	N/A	0.01	N/A
2.	65	Grand Ocean Advanced Resources Company Limited	Mining, processing, sale and wholesale of coals	827.3	0.480	0.111	0.071	4.32	6.72
3.	276	Mongolia Energy Corporation Limited	Mining of coal, production and sales of coal products, provision of coal transportation services, as well as coal processing	103.5	0.550	15.443	N/A	0.04	N/A
4.	866	China Qinfa Group Limited	Mining and sales of coal	513.6	0.206	1.659	0.006	0.12	35.95
5.	1229	Nan Nan Resources Enterprise Limited	Mining and sales of coal; development of solar power farm; provision of information technology outsourcing, consultancy and technical services	117.9	0.154	0.313	0.164	0.49	0.94

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Stock Code	Company name	Principal business	Market Capitalisation (HK\$ million) (Note 1)	Closing price (HK\$) (Note 1)	Revenue per share (HK\$) (Note 2)	NAV per share (HK\$) (Note 3)	PS Ratio (Note 4)	PB Ratio (Note 5)
6.	1393	Hidili Industry International Development Limited	Production and sales of clean coal and by-products; manufacture and sales of alloy pig iron and other products	805.9	0.175	1.014	0.339	0.17	0.52
7.	1878	SouthGobi Resources Limited	Coal mining, development, and exploration	206.7	0.700	1.931	N/A	0.36	N/A
							Mean	0.79	11.03
							Median	0.17	3.83
							Maximum	4.32	35.95
							Minimum	0.01	0.52
		The Company	Exploration, mining and sale of minerals; investment in fund and unlisted equity, listed shares and debt securities; commercial and residential property investments; money lending		1.000 (Note 6)	3.662	2.543	0.27 (Note 7)	0.39 (Note 8)

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

Notes:

- The closing prices of the shares of the Coal Comparable Companies are quoted on the Stock Exchange as at the Last Trading Day. The market capitalisation is calculated by multiplying the closing prices by the number of issued shares of the respective Coal Comparable Companies as at the Last Trading Day.
- The revenue per share for the Coal Comparable Companies are calculated based on (i) revenue as stated in the latest published annual reports of the Coal Comparable Companies prior to the publication of the Joint Announcement; divided by (ii) the number of issued shares of the respective Coal Business Companies as at the Last Trading Day.
- The NAV per share for the Coal Comparable Companies are calculated based on (i) the amount of NAV as stated in the latest published annual reports or interim reports of the Coal Comparable Companies prior to the publication of the Joint Announcement; divided by (ii) the number of issued shares of the respective Coal Business Companies as at the Last Trading Day. Those Coal Comparable Company with net liabilities are denoted by “N/A”.
- PS Ratio is calculated as closing price divided by revenue per share.
- PB Ratio is calculated as closing price divided by NAV per share. Those Coal Comparable Companies with net liabilities and hence no defined PB Ratios are denoted by “N/A”.
- This represents the Cancellation Price of HK\$1.00.
- The PS Ratio of the Group implied by the Proposal (the “**Implied PS Ratio**”) is calculated as the Cancellation Price divided by the revenue per Share of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. The PB Ratio of the Group implied by the Proposal (the “**Implied PB Ratio**”) is calculated as the Cancellation Price divided by the NAV per Share of the Group.
9. 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\$1.09 and US\$1 to HK\$7.80 respectively. Such exchange rates are adopted for the purpose of illustration purpose 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.

As shown in the above table, the PS Ratios of the Coal Comparable Companies range from approximately 0.01 times to 4.32 times, with mean and median of approximately 0.79 and 0.17 times respectively. The Implied PS Ratio of approximately 0.27 times is below the corresponding mean but above the corresponding median PS Ratio of the Coal Comparable Companies. While the mean PS Ratio is higher than the Implied PS Ratio, we note that it is mainly driven by Coal Comparable Company No. 2, with PS Ratio of approximately 4.32 times whereas all other Coal Comparable Companies have PS Ratio of less than 1 time (i.e market capitalisation less than revenue). We have further studied the PS Ratio of Coal Comparable Company No. 2 and noted that it has always been above 1 time for the last two years and was as high as 5.28 times notwithstanding that there were no material corporate actions (save for the issue and conversion of convertible bonds in mid-2022 and mid-2023 respectively) or material fluctuation in revenue in the period. For illustration purpose, the mean PS Ratio without Coal Comparable Company No. 2 would be approximately 0.20 times, which is close to the median PS Ratio of approximately 0.17 times and below the Implied PS Ratio of approximately 0.27 times. Having also taken into account that the Implied PS Ratio is above the median PS Ratio of the Coal Comparable Companies, we considered that the Cancellation Price is fair and reasonable.

As shown in the above table, the PB Ratios of the Coal Comparable Companies range from approximately 0.52 times to 35.95 times, with mean and median of approximately 11.03 and 3.83 times respectively. The Implied PB Ratio of approximately 0.39 times is below the corresponding mean and median PB Ratio of the Coal Comparable Companies. Nonetheless, in view of the facts that (i) there are only seven Coal Comparable Companies with three having net liabilities where PB Ratio is not applicable; (ii) for Coal Comparable Company No. 4, notwithstanding a net assets of approximately RMB813.2 million as at 31 December 2022, a substantial portion of approximately RMB800.1 million was attributable to non-controlling interest with the remaining of approximately RMB13.1 million was attributable to owners of the company and hence Coal Comparable Company No. 4 has abnormally high PB Ratio. In addition, Coal Comparable Company No. 4 had net liabilities attributable to owners of the company of approximately RMB450.1 million as at the end of the previous financial year, i.e. 31 December 2021; (iii) the segment assets of the Group as at 31 March 2023 were related to both coal mining business and investment in financial instruments, we consider that PB Ratios of the Coal Comparable Companies may not serve as a representative indication in regard to the Cancellation Price and should only serve as a reference only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of the Investment Comparable Companies are as set out below:

No.	Stock Code	Company name	Principal business	Market Capitalisation (HK\$ million) (Note 1)	Closing price (HK\$) (Note 1)	NAV per share (HK\$) (Note 2)	PB Ratio (Note 3)
1.	80	China New Economy Fund Limited	Investment	213.8	0.162	0.108	1.50
2.	129	Asia Standard International Group Limited	property businesses and securities investment	659.9	0.500	14.729	0.03
3.	204	China Investment Development Limited	Investing in listed and unlisted securities	284.7	0.395	0.123 (Note 4)	3.21
4.	214	Asia Orient Holdings Limited	Investment in listed debt securities and listed equity securities; property rental, hotel operation and travel agency; property sale	407.8	0.485	15.050	0.03
5.	310	Prosperity Investment Holdings Limited	Investment in listed and unlisted companies and other financial assets	20.6	0.017	0.028	0.61
6.	329	OCI International Holdings Limited	Investment of fixed income products, equity securities and fund; provision of asset management services; provision of investment advisory services; trading of wines	824.9	0.550	0.200	2.74
7.	339	Core Economy Investment Group Limited	Investment and trading of listed and unlisted securities	27.2	0.113	0.032	3.55
8.	356	DT Capital Limited	Securities investment	191.5	0.070	0.037	1.87
9.	428	Cocoon Holdings Limited	Investments in listed securities and unlisted investments	120.9	0.200	0.224 (Note 5)	0.89
10.	721	China Financial International Investments Limited	Equity investment	329.1	0.030	0.046	0.65
11.	768	UBA Investments Limited	Investment in securities	36.9	0.029	0.071	0.41
12.	770	Shanghai International Shanghai Growth Investment Limited	Investment	1.6	0.148	1.468	0.10
13.	810	China Castson 81 Finance Company Limited	Investment in equity and debt instruments of listed and unlisted companies in Hong Kong	172.5	1.220	0.393	3.10
14.	901	Goldstone Investment Group Limited	Security investment	51.9	0.024	N/A	N/A
15.	905	Walnut Capital Limited	Investment	110.7	0.158	0.139	1.14
16.	913	Harbour Digital Asset Capital Limited	Security investment	157.5	0.560	0.658	0.85
17.	1051	G-Resources Group Limited	Investment in listed and unlisted financial assets; provision of financial services; investment in properties	734.8	1.630	26.614	0.06

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Stock Code	Company name	Principal business	Market Capitalisation (HK\$ million) (Note 1)	Closing price (HK\$) (Note 1)	NAV per share (HK\$) (Note 2)	PB Ratio (Note 3)
18.	1062	China Development Bank International Investment Limited	Investment in equity instruments and other financial instruments	220.6	0.076	0.452	0.17
19.	1160	Goldstone Capital Group Limited	Investment in listed and unlisted companies	68.8	0.290	0.094	3.09
20.	1217	China Innovation Investment Limited	Investment in listed and non-listed companies	128.0	0.010	0.045	0.22
21.	1226	China Investment and Finance Group Limited	Securities trading and investment holding	169.2	0.410	0.477	0.86
22.	1328	Goldstream Investment Limited	Investment management; strategic direct investment	356.4	0.031	0.063	0.49
23.	2312	China Financial Leasing Group Limited	Investment in listed and unlisted securities	34.3	0.198	0.372	0.53
24.	2324	Capital VC Limited	Investment in listed and unlisted companies	60.1	0.143	0.974	0.15
						Mean	1.14
						Median	0.65
						Maximum	3.55
						Minimum	0.03
		The Company	Exploration, mining and sale of minerals; investment in fund and unlisted equity, listed shares and debt securities; commercial and residential property investments; money lending		1.000 (Note 6)	2.543	0.39 (Note 7)

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

Notes:

- The closing prices of the shares of the Investment Comparable Companies are quoted on the Stock Exchange as at the Last Trading Day. The market capitalisation is calculated by multiplying the closing prices by the number of issued shares of the respective Investment Comparable Companies as at the Last Trading Day.
- The NAV per share for the Investment Comparable Companies are calculated based on (i) the amount of NAV as stated in the latest published annual reports or interim reports of the Investment Comparable Companies prior to the publication of the Joint Announcement; divided by (ii) the number of issued shares of the respective Investment Business Companies as at the Last Trading Day. Those Investment Comparable Company with net liabilities are denoted by “N/A”.
- PB Ratio is calculated as closing price divided by NAV per share. Those Investment Comparable Companies with net liabilities and hence no defined PB Ratios are denoted by “N/A”.
- The NAV of China Investment Development Limited was adjusted taking into account the completion of rights issue by the company in 14 August 2023.
- The NAV of Cocoon Holdings Limited was adjusted taking into account the completion of placing of new share by the company in 14 July 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. This represents the Cancellation Price of HK\$1.00.
7. The Implied PB Ratio is calculated as the Cancellation Price divided by the NAV per Share of the Group.
8. In this comparable analysis, conversions of US\$, the official currency of the United States, into HK\$ are calculated at the approximate exchange rate of US\$1 to HK\$7.80. Such exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

As shown in the above table, the PB Ratios of the Investment Comparable Companies range from approximately 0.22 times to 3.55 times, with mean and median of approximately 1.04 and 0.65 times respectively. The Implied PB Ratio of approximately 0.39 time is below the corresponding mean and median PB Ratio of the Investment Comparable Companies but within the range of PB Ratios of the Investment Comparable Companies. Nevertheless, in view of the fact that the segment assets of the Group as at 31 March 2023 were related to both coal mining business and investment in financial instruments, we consider that comparable analysis PB Ratios of the Investment Comparable Companies may not serve as a representative indication in regard to the Cancellation Price and should only serve as a reference only.

(f) Privatization precedents

We have compared the Proposal to privatization proposals of companies listed on the Stock Exchange announced since 1 August 2022, being the first date of the twelfth month prior to the Last Trading Day (i.e. 23 August 2023), and up to the Last Trading Day, which have been successfully privatized as at the Latest Practicable Date (the “**Privatization Precedents**”). We consider that the analysis of the Privatization Precedents announced since 1 August 2022 and up to the Last Trading Day, covering around one year, to be appropriate and sufficient to demonstrate the pricing of recent successful privatizations of listed companies in Hong Kong under recent market sentiment. To the best of our knowledge, we were able to identify from the Stock Exchange’s website an exhaustive list of seven Privatization Precedents satisfying the above selection criteria. Although the business and operation of the Group are not the same as those of the subject companies of the Privatization Precedents, the Privatization Precedents can demonstrate the market practices of privatization transactions conducted by other Hong Kong listed companies and accepted by their respective shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the premium/discount represented by the cancellation/offer price in respect of the Privatization Precedents:

No.	Date of initial announcement of the privatization proposal	Stock Code	Company name	Premium/(discount) of the cancellation/offer price over/to average closing price per share for the respective			
				Latest practicable date (%)	Last full trading day (%)	Last full 30 trading days (%)	Last full 60 trading days (%)
1.	5 August 2022	1212	Lifestyle International Holdings Limited	10.13	62.34	70.11	58.66
2.	8 August 2022	2308	EVOC Intelligent Technology Company Limited*	5.42	15.13	31.39	36.90
3.	31 August 2022	8255	China Binary New Fintech Group	17.60	35.10	39.41	33.27
4.	24 October 2022	1031	Kingston Financial Group Limited	5.26	47.78	10.80	24.20
5.	17 February 2023	2686	AAG Energy Holdings Limited	15.60	10.10	101.44	99.55
6.	21 February 2023	1366	Jiangnan Group Limited	3.90	83.49	31.80	64.40
7.	27 June 2023	3799	Dali Foods Group Company Limited	3.59	37.87	30.21	21.75
			Mean	8.79	41.69	45.02	48.39
			Median	5.42	37.87	31.80	36.90
			Maximum	17.60	83.49	101.44	99.55
			Minimum	3.59	10.10	10.80	21.75
			The Company	6.38	61.29	36.61	(1.38)

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

Note: The premium/discount represented by the cancellation/offer price in respect of the Privatization Precedents are extracted from the respective privatization documents.

As depicted in the table above, the premium represented by the Cancellation Price (i) over closing prices of the Share on Latest Practicable Date of approximately 6.38% is close to the mean and median premium of approximately 8.79% and 5.42% of the Privatization Precedents respectively; (ii) over closing prices of the Share on Last Trading Day of approximately 61.3% is well above the mean and median premium of approximately 41.7% and 37.9% of the Privatization Precedents respectively; (iii) over average closing prices of the Share for last 30 consecutive trading days of approximately 36.6% is below mean but above median premium of approximately 45.0% and 31.8% of the Privatization Precedents respectively, whereas the Cancellation Price represents a discount of approximately 1.4% to average closing prices of the Share for last 60 consecutive trading days when the cancellation/offer prices of all Privatization Precedents represent premium with mean and median of approximately 48.4% and 36.9% respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding the aforesaid discount, as stated in the paragraph headed “(b) Historical price performance of the Shares” above in this letter, as the closing prices of the Shares followed a general downward trend during the Review Period with the closing price of the Shares dropped by approximately 73.0% from the highest of HK\$2.30 in August 2022 to HK\$0.62 on the Last Trading Day. Having also considered that the premium represented by the Cancellation Price over closing prices of the Share on Last Trading Day is well above the mean and median premium of the Privatization Precedents, we are of the view that the discount represented by the Cancellation Price to the average closing price of the Shares over a longer period prior to the Last Trading Day (e.g. 60 trading days) is justifiable.

(g) Our view

Taking into account that:

- (i) despite the discount represented by the Cancellation Price to the NAV per Share, the closing prices of the Shares have always represented discounts ranging from approximately 31.3% to 79.6% to the NAV per Share 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 per Share 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 Implied PS Ratio is above the corresponding median PS Ratio of the Coal Comparable Companies, and, for illustration purpose, the mean PS Ratio of the Coal Comparable Companies if the only one out of seven Coal Comparable Company with PS Ratio greater than 1 is excluded;
- (iii) the premium represented by the Cancellation Price over the closing prices of the Share on Last Trading Day is well above the mean and median of the Privatization Precedents;
- (iv) having also considered that the closing prices of the Shares followed a general downward trend during the Review Period with the closing price of the Shares dropped by approximately 73.0% from August 2022 to the Last Trading Day, and that the premium represented by the Cancellation Price over closing prices of the Share on Last Trading Day is well above the mean and median premium of the Privatization Precedents, the discount represented by the Cancellation Price to the average closing price of the Shares over a longer period prior to the Last Trading Day (e.g. 60 trading days) is justifiable; and
- (v) given that trading of the Shares has been inactive in the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market without negatively affecting the price of the Shares. Hence, the Proposal provides an assured opportunity for Disinterested Scheme 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 Cancellation Price is fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Taking into consideration the aforementioned principal factors and reasons, in particular that:

- (i) the Group was loss making for FY2022 and FY2023, whereas the profit of the Group for FY2021 was largely contributed by the investment in China Evergrande Vehicle Shares, the share price of which dropped deeply and caused substantial loss of the Group in FY2022;
- (ii) there remains uncertainty in the prospect of the mining business of the Group given that the price of coking coal had been highly volatile in recent years and the predicted negative growth in consumption in metallurgical coal by China;
- (iii) with respect to the investment business of the Group, the interest rates hike, forecasted slowdown in global economic growth and other downside risks to the economic outlook may cause volatility in the investment market and negatively impact the investment of the Group;
- (iv) in view of (a) the general downward trend of the closing prices of the Shares; (b) the discounts represented by historical closing prices of the Shares to the NAV per Share throughout the Review Period; (c) the Comparable Analysis where the Implied PS Ratio is above the median PS Ratio of the Coal Comparable Companies; (d) the comparison with the Privatization Precedents where the premium represented by the Cancellation Price to the closing prices of the Shares are justifiable, the Cancellation Price is fair and reasonable; and
- (v) given the relatively inactive trading of the Shares (except being more active for a period after announcement of the Proposal), it is uncertain whether there would be sufficient liquidity in the Shares for the Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market without negatively impacting the trading price of the Shares. Therefore, the Proposal represents an assured opportunity for Disinterested Scheme Shareholders to realise their investment in the Shares, should they wish so, without creating a significant downside pressure on the trading price of the Shares,

we are of the terms of the Proposal and the Scheme (including the Cancellation Price) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the EGM to approve the Scheme.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Disinterested Scheme Shareholders who intend to realise their investment in the Company are reminded to closely monitor the market price and liquidity of the Shares and shall, having regard to their own circumstances, consider selling the Shares in the open market if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Scheme.

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Executive Director

Nigel Ng
Manager

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 18 years of experience in corporate finance industry.

Mr. Nigel Ng 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 8 years of experience in corporate finance industry.

* *The English names of PRC nationals, entities, facilities and localities are unofficial translation or transliteration from their Chinese names and are for identification purposes only.*

EXPLANATORY MEMORANDUM

This Explanatory Memorandum constitutes the statement required under Order 102, Rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT)

TO CANCEL ALL THE SCHEME SHARES IN EXCHANGE FOR THE CANCELLATION PRICE FOR EACH SCHEME SHARE

1. INTRODUCTION

Pursuant to the Joint Announcement dated 1 September 2023, the Offeror and the Company jointly announced that on 31 August 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatization of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from the Stock Exchange.

If the Proposal is approved and implemented:

- (a) on the Effective Date, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled;
- (b) immediately after the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror, of such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued; and
- (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15 of the Listing Rules.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal which is to be implemented by the Scheme, and to provide the Scheme Shareholders with other relevant information in relation to the Scheme to provide the intention of the Offeror with regard to the Group and the shareholding structure of the Company before and after the Scheme and the Proposal.

Your attention is also drawn to (a) a letter from the Board set out on pages 18 to 30 of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out on pages 31 to 32 of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out on pages 33 to 65 of this Scheme Document; and (d) the terms of the Scheme set out in Appendix III to this Scheme Document.

EXPLANATORY MEMORANDUM

2. TERMS OF THE PROPOSAL AND THE SCHEME

Under the Scheme, the Scheme Shares will be cancelled and in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.00 in cash for each Scheme Share cancelled.

The Cancellation Price of HK\$1.00 per Scheme Share represents:

- (a) a premium of approximately 6.38% over the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on 24 October 2023, being the Latest Practicable Date;
- (b) a premium of approximately 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 23 August 2023, being the Last Trading Day;
- (c) a premium of approximately 49.25% over the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on 22 August 2023, being the full trading day immediately prior to the Last Trading Day;
- (d) a premium of approximately 24.38% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.804 per Share;
- (e) a premium of approximately 21.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.824 per Share;
- (f) a premium of approximately 36.61% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.732 per Share;
- (g) a discount of approximately 1.38% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$1.014 per Share;
- (h) a discount of approximately 14.89% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$1.175 per Share;
- (i) a discount of approximately 24.01% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day of approximately HK\$1.316 per Share;
- (j) a discount of approximately 33.82% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$1.511 per Share; and

EXPLANATORY MEMORANDUM

- (k) a discount of approximately 60.68% to the audited consolidated net assets value attributable to Shareholders of the Group per Share of approximately US\$0.326 (equivalent to approximately HK\$2.543) as at 31 March 2023, calculated by dividing the Group's audited consolidated net asset value attributable to Shareholders of approximately US\$157,870,000 as at 31 March 2023 by 483,728,862 Shares in issue as at the Latest Practicable Date and based on the exchange rate of USD1=HKD7.80.

Highest and Lowest Prices of the Shares

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.78 per Share on 1 March 2023, and HK\$0.52 per Share on 24 July 2023, respectively.

Basis for determining the Cancellation Price

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among other things, the recently traded prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, the other privatization transactions in Hong Kong in recent period prior to the publication of the Joint Announcement.

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, this Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

3. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the assumption that no further Shares are issued before the Scheme Record Date, and on the basis of the Cancellation Price of HK\$1.00 for each Scheme Share and there being 122,642,249 Scheme Shares in issue as at the Latest Practicable Date, the maximum cash consideration payable for the Proposal is HK\$122,642,249.

The Offeror intends to finance the consideration payable by the Offeror through the Loan Facility. The Loan Facility is secured by, among other things, (i) a share charge of all the Shares currently held and all the Shares to be owned by the Offeror and Mr. Chiu after the Scheme becomes effective in favour of Get Nice Securities; and (ii) a share charge of the entire issued share capital of the Offeror in favour of Get Nice Securities. Get Nice Securities, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to discharge its obligation in respect of the full implementation of the Scheme.

EXPLANATORY MEMORANDUM

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all Scheme Shareholders if the following conditions are fulfilled or waived:

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting.
- (b) the approval of the Scheme (by way of poll) by the Disinterested Scheme Shareholders representing not less than 75% of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting; and the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares.
- (c) the passing of:
 - (1) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the share capital of the Company associated with the Scheme; and
 - (2) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modification) and, to the extent necessary, confirmation of any reduction of share capital of the Company associated with the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the applicable procedural requirements and conditions, if any, under sections 15 and 16 of the Companies Act in relation to any reduction of the share capital of the Company associated with the Scheme;

EXPLANATORY MEMORANDUM

- (f) all authorizations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the voluntary withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms which are required to be obtained (or, as the case may be, completed) prior to the completion of the Proposal having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (g) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (h) since the Announcement Date, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole; and
- (i) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole.

The Conditions in paragraphs (a) to (e) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (f) to (i) (inclusive) in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or the Scheme or its implementation in accordance with its terms illegal.

In respect of the Condition (f), as at the Latest Practicable Date and based on the information available to the Offeror and the Company, the Offeror and the Company do not foresee any necessary Authorizations required in connection with the Scheme from, with or by (as the case may be) the relevant authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, save for the Authorizations already set out above as Condition (d).

EXPLANATORY MEMORANDUM

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Scheme.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and/or as the Executive may consent), failing which the Scheme will lapse.

If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

As at the Latest Practicable Date, none of the Conditions have been fulfilled, satisfied, or waived, as applicable.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme and, to the extent necessary, confirmation of any reduction of share capital associated with the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

WARNING

THE PROPOSAL AND THE SCHEME ARE CONDITIONAL UPON THE SATISFACTION OR (WHERE APPLICABLE) WAIVER OF CONDITIONS. ACCORDINGLY, THE PROPOSAL MAY OR MAY NOT BE IMPLEMENTED, AND THE SCHEME MAY OR MAY NOT BECOME EFFECTIVE. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR LICENSED SECURITIES DEALERS OR REGISTERED INSTITUTIONS IN SECURITIES, BANK MANAGERS, SOLICITORS, PROFESSIONAL ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS.

5. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date:

- (a) the authorized share capital of the Company was HK\$10,000,000,000 divided into 1,000,000,000,000 shares of HK\$0.01 each;
- (b) the issued share capital of the Company comprises 483,728,862 Shares;

EXPLANATORY MEMORANDUM

- (c) there are no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company;
- (d) the Offeror and the Offeror Concert Parties are interested in 367,565,613 Shares, representing approximately 75.99% of the total issued Shares;
- (e) neither the Offeror nor any of the Offeror Concert Parties:
 - (1) have entered into any outstanding derivative in respect of the securities in the Company;
 - (2) have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
 - (3) have received any irrevocable commitment to vote for or against the Scheme; and
 - (4) have held any convertible securities, warrants or options in respect of the Shares held, controlled or directed by them.
- (f) save for the Loan Facility, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (g) there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (h) the Disinterested Scheme Shareholders legally or beneficially own, control or have direction over a total of 116,163,249 Shares, representing 24.01% of the Shares in the issued share capital of the Company;
- (i) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholders on one hand, and (2)(a) the Offeror and the Offeror Concert Parties, or (2)(b) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code) on the other hand; and
- (j) the Scheme Shares held by the Scheme Shareholders, comprising 122,642,249 Shares, represent approximately 25.35% of the issued share capital of the Company.

EXPLANATORY MEMORANDUM

On the assumption that there is no other change in shareholding of the Company before the completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholder(s) of the Shares	As at the Latest Practicable Date		Immediately upon completion of the Scheme	
	Number of Shares	Approximate % of total issued Shares ⁽¹⁾	Number of Shares	Approximate % of total issued Shares ⁽¹⁾
Offeror				
(A) The Offeror	312,336,613	64.57%	434,978,862	89.92%
Offeror Concert Parties				
<i>Offeror Concert Party not subject to the Scheme</i>				
(B) Mr. Chiu ⁽²⁾	48,750,000	10.08%	48,750,000	10.08%
<i>Offeror Concert Parties subject to the Scheme</i>				
(C) Mr. Hung Hon Man and his associate(s) ⁽³⁾	<u>6,479,000</u>	<u>1.34%</u>	–	–
Offeror and Offeror Concert Parties				
(A) + (B) + (C)	<u>367,565,613</u>	<u>75.99%</u>	–	–
Disinterested Scheme Shareholders				
(D) Mr. Cheung Chung Kiu	24,385,500	5.04%	–	–
(E) Other Disinterested Scheme Shareholders	<u>91,777,749</u>	<u>18.97%</u>	–	–
Disinterested Scheme Shareholders				
(D) + (E)	<u>116,163,249</u>	<u>24.01%</u>	–	–
Scheme Shareholders				
(C) + (D) + (E)	<u>122,642,249</u>	<u>25.35%</u>	–	–
Total				
(A) + (B) + (C) + (D) + (E)	<u>483,728,862</u>	<u>100.00%</u>	<u>483,728,862</u>	<u>100.00%</u>

Notes:

- (1) All percentages in the above table are approximations and rounded to the nearest 2 decimal places.
- (2) The Offeror is wholly and beneficially owned by Mr. Chiu. By virtue of Mr. Chiu's relationship with Offeror, Mr. Chiu is acting in concert with the Offeror under the Takeovers Code.

EXPLANATORY MEMORANDUM

- (3) Get Nice Securities is the financial adviser to the Offeror in respect of the Proposal. Accordingly, Get Nice Securities and relevant members of the Get Nice Securities Group are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code (except in respect of Shares held on behalf of non-discretionary investment clients of the Get Nice Securities Group). As at the Latest Practicable Date, Mr. Hung Hon Man, being the ultimate controlling shareholder of Get Nice Securities, and his associate(s) hold an aggregate of 6,479,000 Shares.

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares from the Stock Exchange, (i) the Offeror will hold 89.92% of the issued share capital of the Company, and (ii) the Offeror and Mr. Chiu will together hold 100% of the issued share capital of the Company.

6. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND THE COURT MEETING

Pursuant to section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in section 86 of the Companies Act that if 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

7. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Act as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, assuming that all the Disinterested Scheme Shareholders vote at the Court Meeting, 11,616,325 or more of the votes representing 10% or more of the votes attaching to all the Disinterested Scheme Shares will be sufficient to vote down the Proposal.

EXPLANATORY MEMORANDUM

8. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and/or EGM.

Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

9. REASONS FOR AND BENEFITS OF THE PROPOSAL

(a) Reasons and benefits for the Offeror

The Offeror takes the view that the trading price and trading volume of the Shares have not been satisfactory. Due to the low liquidity in the trading of its Shares, the Company's current listing status on the Stock Exchange no longer serves as a suitable platform for raising funding for the Company's business growth and development. The Proposal will give the Offeror more flexibility to support the future business development of the Group.

(b) Reasons and benefits for the Scheme Shareholders and the Company

The Scheme presents an immediate opportunity for Scheme Shareholders to realize their investments in the Company for cash and redeploy the cash received from accepting the Scheme into other investment opportunities. The Cancellation Price of HK\$1.00 per Share represents a premium of 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Day.

Following the implementation of the Scheme, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

10. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror does not intend to continue the listing of the Shares. It is the intention of the Offeror that, if the Scheme becomes effective, the Group will continue to carry on its current business, and the Offeror does not have specific plans to make any major changes to the business of the Group (including any redeployment of fixed assets of the Group and the continued employment of the employees of the Group) upon the successful delisting of the Company. After completion of the Proposal, the Offeror will continue to consider how to develop the Company in a manner which best enhances value and, in that regard, will consider growing its business as well as market opportunities which will be dependent on a number of factors including market conditions, legal and regulatory requirements and its business needs.

EXPLANATORY MEMORANDUM

11. IMPLEMENTATION OF THE PROPOSAL AND VOLUNTARY WITHDRAWAL OF LISTING OF SHARES

(a) If the Scheme becomes unconditional and effective

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The holders of Scheme Shares will be notified by way of an announcement of the exact date of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the voluntary withdrawal of the listing of the Shares on the Stock Exchange will be effective. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 15 to 17 of this Scheme Document.

(b) If the Scheme is not approved or if the Scheme lapses

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or if the Proposal and/or the Scheme otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Scheme lapses, the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed “5. Shareholding Structure of the Company and effect of the Proposal and the Scheme” in the Explanatory Statement as set out on pages 66 to 85 of the Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Scheme is not approved or the Scheme lapses). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules if the Scheme is not approved or if the Scheme lapses.

If the Scheme is not approved or if the Scheme otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Scheme otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

EXPLANATORY MEMORANDUM

12. INFORMATION ON THE GROUP AND THE OFFEROR

(a) The Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 985. It is an investment holding company. The Group operates in four segments, namely (A) exploration, development and mining of mineral resources, (B) investments in financial instruments, (C) property investments, and (D) money lending.

(b) The Offeror and the Offeror Concert Parties

The Offeror is an investment holding company incorporated in the BVI with limited liability.

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Chiu, who is the sole director of the Offeror. Mr. Chiu, aged 67, 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.

Get Nice Securities is the financial adviser to the Offeror in respect of the Proposal. Accordingly, Get Nice Securities and relevant members of the Get Nice Securities Group are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code (except in respect of Shares held on behalf of non-discretionary investment clients of the Get Nice Securities Group). As at the Latest Practicable Date, Mr. Hung Hon Man, being the ultimate controlling shareholder of Get Nice Securities, and his associate(s) hold an aggregate of 6,479,000 Shares. Mr. Cheng Wai Ho, Mr. Ng Hon Sau, Larry and Mr. Shum Kin Wai, Frankie are the directors of Get Nice Securities.

13. REGISTRATION AND PAYMENT

(a) Closure of the register of members of the Company

Assuming that the Scheme Record Date falls on Friday, 1 December 2023, it is proposed that the register of members of the Company will be closed from Friday, 1 December 2023 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Thursday, 30 November 2023.

EXPLANATORY MEMORANDUM

(b) Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) Business Days following the Effective Date. On the basis that the Scheme becomes effective on Friday, 1 December 2023 (Cayman Islands time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Tuesday, 12 December 2023.

Cheques for the payment of the Cancellation Price shall be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Get Nice Securities, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in dispatch/transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

EXPLANATORY MEMORANDUM

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 1 December 2023 (Cayman Islands time).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Scheme 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 Scheme Shareholder.

14. OVERSEAS SHAREHOLDERS

This Scheme Document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to this Scheme Document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due from the Shareholder in such jurisdiction.

Any acceptance by the overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with. If such overseas Scheme Shareholders are in doubt as to their positions, they should consult their own professional advisers.

15. TAXATION ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

Scheme 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 Proposal. It is emphasized that none of the Offeror, the Company, Get Nice Securities nor any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

EXPLANATORY MEMORANDUM

16. SCHEME SHARES, COURT MEETING AND EGM

As at the Latest Practicable Date, the Company has 483,728,862 Shares in issue. There were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting on the resolution to approve the Scheme but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the requirements in paragraph b in the section headed “4. Conditions of the Proposal and the Scheme” above are satisfied. Mr. Hung Hon Man and his associate(s), as Offeror Concert Parties, have undertaken not to attend nor vote at the Court Meeting and will procure that any Shares in respect of which they are legally or beneficially interested will not be represented nor voted at the Court Meeting. Each of the Offeror and Mr. Chiu has undertaken to be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and the conditions of the Scheme.

All registered Shareholders as at the Meeting Record Date will be entitled to attend and vote at the EGM on (i) the special resolution to approve and give effect to any reduction of the share capital of the Company associated with the Scheme, and (ii) the ordinary resolution to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.

The Offeror and the Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, each of them will cast the votes in respect of those Shares held by it in favour of the resolutions to be proposed at the EGM.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Monday, 20 November 2023 at the time and place specified in the notice.

Notice of the EGM is set out in Appendix V to this Scheme Document. The EGM will be held at the same place and on the same date at 10:30 a.m. or immediately after the conclusion or adjournment of the Court Meeting.

17. ACTIONS TO BE TAKEN

(a) Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 14 November 2023 to Monday, 20 November 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 13 November 2023.

EXPLANATORY MEMORANDUM

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged no later than 10:00 a.m. on Saturday, 18 November 2023 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it) if it is not so lodged. The **white** form of proxy for use at the EGM must be lodged no later than 10:30 a.m. on Saturday, 18 November 2023, failing which it will not be valid. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a Scheme Shareholder and/or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting or any adjournment thereof, and in such event, the returned form of proxy shall be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the amended and restated articles of association of the Company and as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme and, to the extent necessary, confirmation of any reduction of share capital associated with the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

EXPLANATORY MEMORANDUM

(b) Actions to be taken by beneficial Owners whose Shares are Held by a registered owner or deposited in CCASS

The Company will not recognize any person as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to accurately complete its form of proxy and to submit it by the relevant deadlines stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees) and wish to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, in which case, you should consult your financial intermediary (such as your broker, custodian or nominee) to determine whether any charges apply.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete its forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM or, as applicable, the latest time for lodging transfers of Shares, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the amended and restated articles of association of the Company.

EXPLANATORY MEMORANDUM

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, if you wish to vote your Shares at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a registered Shareholder as of the Meeting Record Date, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the EGM (as a Shareholder). You can become a registered Shareholder by withdrawing some or all of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary.

You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of Shares to register the Shares into your own name in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name prior to the Meeting Record Date.

EXPLANATORY MEMORANDUM

18. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF THE PROPOSAL IS APPROVED AND IMPLEMENTED, IT WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

19. PETITION HEARING AT THE GRAND COURT

ANY SCHEME SHAREHOLDERS WHO VOTED AT THE COURT MEETING (INCLUDING ANY BENEFICIAL OWNERS WHO GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE WHO SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO ATTEND OR APPEAR BY COUNSEL, AND BE HEARD ON THE HEARING OF THE PETITION AT THE GRAND COURT OF THE CAYMAN ISLANDS WHICH IS EXPECTED TO BE ON 30 NOVEMBER 2023 AT 10:00 A.M. (CAYMAN ISLANDS TIME), AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

20. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the paragraph headed “16. Recommendations” in the letter from the Board set out in this Scheme Document;
- (b) the letter from the Independent Board Committee set out in this Scheme Document; and
- (c) the letter from Independent Financial Adviser set out in this Scheme Document.

EXPLANATORY MEMORANDUM

21. FURTHER INFORMATION

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Get Nice Securities, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

22. LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

The following summary financial information for each of the three financial years ended 31 March 2021, 2022 and 2023 is extracted from the audited consolidated financial statements of the Company extracted from the annual reports of the Company for the respective years.

The auditor's reports issued by the auditors of the Company, Deloitte Touche Tohmatsu, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 March 2021, 2022 and 2023 did not contain any qualifications, modified opinion, emphasis of matter or material uncertainty related to going concern.

There was no item which was exceptional because of its size, nature or incidence that was recorded in the audited consolidated financial statements of the Group for each of the three years ended 31 March 2021, 2022 and 2023.

Save as disclosed below, there are no other items of income or expenses which are material to the Group for each of the three years ended 31 March 2021, 2022 and 2023.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended March 31		
	2023 US\$'000 (audited)	2022 US\$'000 (audited)	2021 US\$'000 (audited)
Revenue			
Sales	215,859	26,883	28,100
Interest income	2,441	23,156	25,766
Dividend income	6,586	16,350	22,077
Rental income	2,244	2,644	2,767
Cost of sales	(130,926)	(24,584)	(40,898)
Total Revenue for the year	227,130	69,033	78,710
(Loss)/Profit before taxation	(173,697)	(462,948)	389,745
Income tax expense	(435)	(958)	(603)
(Loss)/Profit for the year	(174,132)	(463,906)	389,142
Total comprehensive (expense)/ income for the year	(157,068)	(465,350)	373,487
(Loss)/Profit attributable to:			
Owners of the Company	(161,784)	(463,271)	386,589
Non-controlling interests	(12,348)	(635)	2,553
Total comprehensive (expense)/ income attributable to:			
Owners of the Company	(144,203)	(464,832)	370,127
Non-controlling interests	(12,865)	(518)	3,360
(Loss)/Earnings per Share:			
Basic (US\$)	(0.33)	(0.96)	0.80
Dividend distributed to owners of the Company:			
Dividend per Share	—	—	—

2. CONSOLIDATED FINANCIAL STATEMENTS

The Group is required to set out or refer to in this Scheme Document the consolidated statement of profit or loss, the consolidated statement of financial position, the consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “**2021 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2022 (the “**2022 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2023 (the “**2023 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the relevant financial information are set out on pages 52 to 141 of the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”). The 2021 Annual Report is posted on the websites of the Company (www.cstgroup.hk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300514.pdf>

The 2022 Financial Statements together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the relevant financial information are set out on pages 55 to 161 of the annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”). The 2022 Annual Report is posted on the websites of the Company (www.cstgroup.hk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200480.pdf>

The 2023 Financial Statements together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the relevant financial information are set out on pages 56 to 157 of the annual report of the Company for the year ended 31 March 2023 (the “**2023 Annual Report**”). The 2023 Annual Report is posted on the websites of the Company (www.cstgroup.hk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2023 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0720/2023072000471.pdf>

The 2021 Financial Statements, the 2022 Financial Statements and the 2023 Financial Statements (but not any other part of the 2021 Annual Report, the 2022 Annual Report and the 2023 Annual Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2023, being the latest practicable date for the purpose of this indebtedness statement of the Group prior to the printing of this Scheme Document, the Group had total outstanding bank and other borrowings of approximately US\$470,768,000 comprising (i) a term loan of approximately US\$464,358,000, which was unguaranteed and secured by all the equity shares of CST-Grande Cache Cayman Limited and its subsidiaries and their present and future assets; (ii) an other borrowing of HK\$35,000,000 (equivalent to approximately US\$4,487,000), which was unguaranteed and secured by certain property, plant and equipment of the Group; and (iii) an other borrowing of HK\$15,000,000 (equivalent to approximately US\$1,923,000), which was guaranteed by the Company and a subsidiary of the Group, and secured by an investment property of the Group.

As at 31 August 2023, the Group had amounts due to non-controlling interests of approximately US\$8,504,000, which were unsecured and unguaranteed.

In addition, as at 31 August 2023, the Group had lease liabilities of approximately US\$2,294,000, which were unguaranteed and secured by rental deposits.

Moreover, as at 31 August 2023, the Group had a guarantee liability of approximately US\$40,100,000, which represented the obligation that the Group entered into by issuing a guarantee contract to China Minsheng Banking Corp., Ltd. (“**CMBC**”), Hong Kong Branch.

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 31 August 2023, 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.

4. MATERIAL CHANGES

Save as disclosed below, the directors of the Company confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2023 being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (a) on 12 July 2023, the Group entered into an amendment and restatement agreement (the “**Amendment and Restatement Agreement**”) with CMBC to amend and restate, among other things, a facilities agreement dated 17 July 2018 (as amended by an amendment deed dated 21 June 2021). Pursuant to the Amendment and Restatement Agreement, CMBC agreed to, among other things, (1) extend the maturity date of the term loan facilities (the “**Facilities**”) in the aggregate amount of approximately US\$409.41 million, together with all the interests (the “**Interests**”) accrued and to be accrued thereon, from 17 July 2023 to 17 July 2028 and (2) replace the interest rate of 1.2% over 3-month LIBOR with 1.2% over daily simple SOFR. As of 12 July 2023, the outstanding aggregate amount of the Facilities and the Interests accrued was approximately US\$460.81 million.

1. RESPONSIBILITY STATEMENTS

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Group.

The issue of this Scheme Document has been approved by the Offeror Director. The sole director of the Offeror, Mr. Chiu, accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors (other than himself)) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror, Mr. Chiu and any party acting in concert with either of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorized share capital of the Company was HK\$10,000,000,000 divided into 1,000,000,000,000 shares of HK\$0.01 each;
- (b) the Company had 483,728,862 Shares in issue;
- (c) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital;
- (d) no new Shares had been issued since 31 March 2023, being the end of the last financial year of the Company; and
- (e) there were no outstanding options, warrants, derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

The table below sets forth the closing price of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) at the last trading day of each calendar month during the Relevant Period:

	Closing price per Share HK\$
28 February 2023	1.780
31 March 2023	1.750
28 April 2023	1.500
31 May 2023	1.200
30 June 2023	1.300
31 July 2023	0.600
23 August 2023 (being the Last Trading Day)	0.620
29 September 2023	0.940
24 October 2023 (being the Latest Practicable Date)	0.940

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.78 per Share on 1 March 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.52 per Share on 18 July 2023 and 24 July 2023.

The Cancellation Price of HK\$1.00 per Scheme Share represents a premium of approximately 6.38% over the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS IN THE SHARES

For the purpose of this paragraph, “interested” and “interests” have the same meanings as given to them in the appropriate part of the SFO.

(a) Directors’ interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the “**Model Code**”), or as required to be disclosed under the Takeovers Code, were as follows:

Long positions in the Shares, underlying Shares and debentures of the Company

Name of Director	Number of Shares held as interest in controlled corporation	Total interest	Approximate percentage of shareholding
Chiu Tao	Beneficial owner	361,086,613 ⁽¹⁾	74.65% ⁽²⁾

Note:

- (1) Mr. Chiu is interested in 100% of the issued share capital of the Offeror. By virtue of SFO, Mr. Chiu is deemed to be interested in the same number of Shares held by the Offeror.
- (2) All percentages in the above table are approximations and rounded to the nearest 2 decimal places.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associate(s) had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, or as required to be disclosed under the Takeovers Code.

As Mr. Chiu is the sole shareholder of the Offeror, he is considered to be an Offeror Concert Party and thus is not in a position to accept or reject the Proposal.

As at the Latest Practicable Date, neither the Company nor the Directors had borrowed or lent, save for any borrowed Shares which have been either on-lent or sold, any shareholding in the Company.

As at the Latest Practicable Date, Mr. Chiu has not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal where required under the articles of association of the Company and subject to the compliance with the Takeovers Code given his material interest in the Proposal.

(b) Interests and short positions of other substantial Shareholders in Shares and underlying Shares

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares, underlying Shares and debentures of the Company

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding⁽²⁾
Offeror	Beneficial owner	312,336,613 ⁽¹⁾	64.57%
Cheung Chung Kiu	Beneficial owner	24,385,500	5.04%

Note:

- (1) The Offeror is wholly and beneficially owned by Mr. Chiu. By virtue of the SFO, Mr. Chiu is deemed to be interested in all the Shares held by the Offeror.
- (2) All percentages in the above table are approximations and rounded to the nearest 2 decimal places.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Director or the chief executive of the Company) who (i) had an interest or short position in the Shares and underlying Shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

As at the Latest Practicable Date and during the Relevant Period, save for the Loan Facility, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, Mr. Chiu or with any party acting in concert with either of them.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other associate of the Offeror under the Takeovers Code.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company under the Takeovers Code.

As at the Latest Practicable Date, save for the Loan Facility, there is no agreement, arrangement for or understanding for any transfer, charge or pledge of the Shares acquired pursuant to the Scheme to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror, Mr. Chiu and any party acting in concert with either of them had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. DEALINGS IN THE SHARES

- (a) During the Relevant Period:
- (i) none of the Directors, the Offeror, the Offeror Director and any party acting in concert with the Offeror had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, Mr. Chiu or any party acting in concert with either of them had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (b) During the period commencing on the Announcement Date and ending on the Latest Practicable Date:
- (i) none of (a) the subsidiaries of the Company; (b) the pension fund(s) of the Company or any of its subsidiaries; (c) the person(s) who is/are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code; and (d) the person(s) who is/are an associate of the offeree company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
 - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with 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” under the Takeovers Code 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 had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no fund managers (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN THE SHARES OF THE OFFEROR

As at the Latest Practicable Date, save as disclosed in the paragraph headed “12. Information on the Group and the Offeror” in the Explanatory Memorandum, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

7. DEALINGS IN THE SHARES OF THE OFFEROR

During the Relevant Period, none of the Company nor the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) save for the Loan Facility, there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror, Mr. Chiu or any party acting in concert with either of them and any Director, recent Director, the Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (c) save for the conditions disclosed in the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum, there was no agreement or arrangement to which the Offeror is a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (d) no irrevocable commitment to vote for or against the Scheme has been received by the Offeror, Mr. Chiu or any party acting in concert with either of them; and
- (e) there were no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) (a) the Offeror, Mr. Chiu and any party acting in concert with either of them; or (b) the Company, its subsidiaries or associated companies.

9. ARRANGEMENTS AFFECTING THE DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement or arrangement between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) save for the Loan Facility, there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

10. 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	Amount of fixed remuneration excluding arrangements for pension payments	Amount of any variable remuneration	Date of the service contract/ letter of appointment	Term of the service contract /letter of appointment	Amount of fixed remuneration excluding arrangements for pension payments	Amount of any variable remuneration
Chiu Tao	20 March 2020	1 April 2020 to 31 March 2022	HK\$36,400,000 per annum	Discretionary bonus ^(Note 1)	18 March 2022	1 April 2022 to 31 March 2024	HK\$36,400,000 per annum	Discretionary bonus ^(Note 1)
Han Xuyang	/	/	/	Discretionary bonus ^(Note 1)	31 December 2021	3 January 2022 to 2 January 2024	HK\$5,000,004 per annum	Discretionary bonus ^(Note 1)
Hui Richard Rui	20 March 2020	1 April 2020 to 31 March 2022	HK\$4,651,140 per annum	Discretionary bonus ^(Note 1)	18 March 2022	1 April 2022 to 31 March 2024	HK\$4,651,140 per annum	Discretionary bonus ^(Note 1)
Kwan Kam Hung, Jimmy	20 March 2020	1 April 2020 to 31 March 2022	HK\$1,798,940 per annum	Discretionary bonus ^(Note 1)	18 March 2022	1 April 2022 to 31 March 2024	HK\$1,798,940 per annum	Discretionary bonus ^(Note 1)
Yu Pan	20 March 2020	1 April 2020 to 31 March 2022	HK\$120,000 per annum	Discretionary bonus ^(Note 1)	18 March 2022	1 April 2022 to 31 March 2024	HK\$120,000 per annum (from 1 April 2022 to 31 March 2023) HK\$170,000 per annum (from 1 April 2023 to 31 March 2024) ^(Note 2)	Discretionary bonus ^(Note 1)
Leung Hoi Ying	15 January 2020	29 January 2020 to 28 January 2022	HK\$150,000 per annum	Discretionary bonus ^(Note 1)	18 January 2022	29 January 2022 to 28 January 2024	HK\$150,000 per annum (from 1 April 2022 to 31 March 2023) HK\$200,000 per annum (from 1 April 2023 to 31 March 2024) ^(Note 2)	Discretionary bonus ^(Note 1)
Ma Yin Fan	21 December 2020	31 December 2020 to 30 December 2022	HK\$200,000 per annum	Discretionary bonus ^(Note 1)	20 December 2022	31 December 2022 to 30 December 2024	HK\$200,000 per annum in (from 1 April 2022 to 31 March 2023) HK\$250,000 per annum (from 1 April 2023 to 31 March 2024) ^(Note 2)	Discretionary bonus ^(Note 1)

Notes:

- (1) 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.

- (2) With effect from 1 April 2023, the remuneration of each of the independent non-executive Directors, namely Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying, has increased by HKD\$50,000 per annum to align their remuneration with the market and recognize and reward the independent non-executive Directors for their contributions to the growth and development of the Group.

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 Announcement Date; (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.

11. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against any member of the Group.

12. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the Announcement Date up to and including the Latest Practicable Date.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this Scheme Document:

Name	Qualification
Get Nice Securities	a corporation licensed to carry out businesses in 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
Nuada	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of its letter of advice and with references to its name and/or letter of advice in the form and context in which they respectively appear.

14. MISCELLANEOUS

- (a) The Offeror is wholly and beneficially owned by Mr. Chiu.
- (b) Mr. Chiu is the sole director of the Offeror.
- (c) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (d) 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.
- (e) The registered office of the Company is at 94 Solaris Avenue, 2nd Floor, Camana Bay, P.O. Box 30745, Grand Cayman KY1-1203, Cayman Islands.
- (f) The head office and the principal place of business of the Company in Hong Kong is at Rooms 4501-05, 45th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (g) The company secretary of the Company is Ms. Li Man Ting, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She holds a Degree of Master of Science in Professional Accounting and Corporate Governance from the City University of Hong Kong.
- (h) The principal share registrar and transfer office of the Company is The R&H Trust Co. Ltd. at Windward 1, Regatta Office Park, P.O. Box 897, Grand Cayman KY1-1103, Cayman Islands.
- (i) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (j) The registered office of Nuada Limited is at Unit 1606, 16/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.
- (k) The registered office of Get Nice Securities is at G/F-3/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.
- (l) This Scheme Document is prepared in both English and Chinese. The English text of this Scheme Document shall prevail over the Chinese text in case of any inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the website of the SFC at *www.sfc.hk*; (ii) on the website of the Company at *www.cstgroup.hk*; and (iii) at the principal place of business of the Company in Hong Kong 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 this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the amended and restated memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 March 2021, 31 March 2022 and 31 March 2023;
- (d) the letter from the Board, the text of which is set out on pages 18 to 30 of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 31 to 32 of this Scheme Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 33 to 65 of this Scheme Document;
- (g) the service contracts and letters of appointment referred to in the section headed “10. Directors’ Service Contracts” in this Appendix II;
- (h) the written consents referred to in the paragraph headed “13. Experts and Consents” in this Appendix II; and
- (i) this Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

Cause No. FSD 296 OF 2023 (DDJ)

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT
(2023 REVISION) (AS REVISED) AND IN THE MATTER OF ORDER
12 OF THE GRAND COURT RULES 1995 (AS REVISED)
AND IN THE MATTER OF CST GROUP LIMITED 中譽集團有限公司
SCHEME OF ARRANGEMENT
BETWEEN
CST GROUP LIMITED 中譽集團有限公司
AND
THE SCHEME SHAREHOLDERS (AS DEFINED BELOW)**

In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“acting in concert”	has the meaning given to it under the Takeovers Code
“Cancellation Price”	the cancellation price of HK\$1.00 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Companies Act”	the Companies Act (2023 Revision) (As Revised) of the Cayman Islands
“Company”	CST Group Limited, 中譽集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 985)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum
“Court Meeting”	the meeting of the Scheme Shareholders convened at the directions of the Grand Court, notice of which is set out in Appendix IV of the Scheme Document, at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Share(s)”	the Shares other than any Shares which are beneficially owned by the Offeror or any Offeror Concert Party

“Disinterested Scheme Shareholder(s)”	the holders of the Disinterested Scheme Shares
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“EGM”	the extraordinary general meeting of the Company convened for the purpose of considering, and if thought fit, approving all necessary resolutions for the implementation of the Proposal and the Scheme, notice of which is set out in Appendix V of the Scheme Document, or any adjournment thereof
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegates of the executive director
“Explanatory Memorandum”	the explanatory memorandum in relation to the Scheme, the text of which is set out on pages 66 to 85 of the Scheme Document
“Get Nice Securities”	Get Nice Securities Limited, a corporation licensed to carry out businesses in 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, which is appointed as the financial adviser to the Offeror in respect of the Proposal
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 October 2023, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 February 2024 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and/or as the Executive may consent
“Mr. Chiu”	Mr. Chiu Tao, the chairman and an executive Director of the Company, and an executive director and the sole shareholder and director of the Offeror

“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror or Mr. Chiu under the definition of “acting in concert” under the Takeovers Code
“Offeror”	Atlas Keen Limited, a business company incorporated under the laws of the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Chiu
“Proposal”	the proposal for the privatization of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Scheme Document”	the composite scheme document of the Offeror and the Company dated 27 October 2023 containing, among other things, each of the letters, statements, appendices and notices in it
“Scheme Record Date”	1 December 2023, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	all of the Share(s) in issue and such further Share(s) as may be issued prior to the Scheme Record Date other than those held by the Offeror and Mr. Chiu
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Shares
“Scheme”	the scheme of arrangement under section 86 of the Companies Act for the implementation of the Proposal
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“%”	per cent

- (A) The Company was incorporated as an exempted company with limited liability on 11 November 1993 in the Cayman Islands under the Companies Act.
- (B) As at the Latest Practicable Date, the authorized share capital of the Company was HK\$10,000,000,000 divided into 1,000,000,000,000 Shares, of which 483,728,862 Shares were issued and fully paid.
- (C) The Offeror, which is wholly and beneficially owned by Mr. Chiu, has proposed the privatization of the Company by way of the Scheme.
- (D) The primary purpose of the Scheme is to privatize the Company by cancelling all of the Scheme Shares in consideration for the Cancellation Price such that the Offeror and Mr. Chiu will collectively own 100% of the issued share capital of the Company. Subject to and immediately after the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.

As at the Latest Practicable Date, the shareholdings of the Company were as follows:

Shareholder(s) of the Shares	As at the Latest Practicable Date	
	Number of Shares	Approximate % of total issued Shares
Offeror		
(A) The Offeror	312,336,613	64.57%
Offeror Concert Parties		
<i>Offeror Concert Party not subject to the Scheme</i>		
(B) Mr. Chiu	48,750,000	10.08%
<i>Offeror Concert Parties subject to the Scheme</i>		
(C) Mr. Hung Hon Man and his associate(s)	<u>6,479,000</u>	<u>1.34%</u>
Offeror and Offeror Concert Parties		
(A) + (B) + (C)	<u>367,565,613</u>	<u>75.99%</u>
Disinterested Scheme Shareholders		
(D) Mr. Cheung Chung Kiu	24,385,500	5.04%
(E) Other Disinterested Scheme Shareholders	<u>91,777,749</u>	<u>18.97%</u>
Disinterested Scheme Shareholders		
(D) + (E)	<u>116,163,249</u>	<u>24.01%</u>
Scheme Shareholders		
(C) + (D) + (E)	<u>122,642,249</u>	<u>25.35%</u>
Total		
(A) + (B) + (C) + (D) + (E)	<u>483,728,862</u>	<u>100.00%</u>

- (E) Mr. Hung Hon Man and his associate(s), as Offeror Concert Parties, have undertaken (i) not to attend nor vote at the Court Meeting and (ii) to procure that any Shares in respect of which they are legally or beneficially interested will not be represented nor voted at the Court Meeting.
- (F) Each of the Offeror and Mr. Chiu has undertaken to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying their respective obligations under the Scheme.

SCHEME OF ARRANGEMENT

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) all Scheme Shares shall be cancelled and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except for the right to receive the Cancellation Price;
 - (b) subject to and immediately after the cancellation of the Scheme Shares, the issued share capital of the Company shall be restored to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled; and
 - (c) the Company shall apply the credit arising in the Company's books of accounts as a result of the cancellation of the Scheme Shares to pay up in full at par the new Shares to be issued to the Offeror as mentioned in paragraph (b) above.

PART II

Consideration for the Cancellation of the Scheme Shares

2. In consideration of the cancellation of the Scheme Shares, the Offeror shall pay the Cancellation Price to each Scheme Shareholder for each Scheme Share cancelled.

PART III

General

3.
 - (a) As soon as possible and in any event not later than seven (7) Business Days following the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.
 - (b) Cheques for the payment of the Cancellation Price shall be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding.
 - (c) All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Get Nice Securities, the Independent Financial Adviser (as defined in the Scheme Document) and the Share Registrar (as defined in the Scheme Document) and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in dispatch/transmission.

- (d) On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.
 - (e) The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.
 - (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
 - (h) Upon cancellation of the Scheme Shares, the register of members of the Company shall be updated to reflect such cancellation.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents or evidence of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.
 5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
 6. The Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme has been delivered to the Registrar of Companies for registration pursuant to section 86(3) of the Companies Act.
 7. Unless the Scheme shall have become effective on or before the Long Stop Date, the Scheme shall lapse.

8. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition to which the Grand Court may see fit to impose.
9. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

Date 27 October 2023

**IN THE GRAND COURT OF
THE CAYMAN ISLANDS FINANCIAL SERVICES DIVISION**

Cause No. FSD 296 OF 2023 (DDJ)

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT
(2023 REVISION) (AS REVISED)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995
(AS REVISED)**

AND IN THE MATTER OF CST GROUP LIMITED 中譽集團有限公司

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 13 October 2023 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting of the Scheme Shareholders (as defined in the Scheme Document, as further defined below) (the “**Court Meeting**”) to be convened for the purpose of considering and, if thought fit, approving (with or without modifications), a scheme of arrangement (the “**Scheme**”) proposed to be made between CST Group Limited 中譽集團有限公司 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Boardroom 3-4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 20 November 2023 at 10:00 a.m. (Hong Kong) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of an explanatory memorandum explaining the effect of the Scheme are incorporated in the scheme document (the “**Scheme Document**”) of which this notice forms part. A copy of the Scheme Document may also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, during usual business hours.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the Scheme Document. Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting, or any adjournment thereof, if he/she so wishes and in such event, the **pink** form of proxy submitted shall be revoked by operation of law.

In the case of joint registered holders of a Scheme Share (as defined in the Scheme Document), any one of such persons may vote at the Court Meeting, either in person or by proxy, in respect of such Scheme Share as if he/she was solely entitled thereto. However, if more than one of such joint holders are present at the Court Meeting, whether in person or by proxy, the vote of the senior who tenders a vote will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that the **pink** forms appointing proxies (together with the power of attorney or other authority, if any, under which they are signed or a certified copy thereof) be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 10:00 a.m. on Saturday, 18 November 2023, but if the forms are not so lodged they may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept them).

By the Order of the Grand Court, the Grand Court has appointed Mr. Hui Richard Rui, an executive director of the Company, or failing whom, any other director of the Company at the time of the Court Meeting (other than Mr. Chiu Tao), to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Grand Court.

The Scheme will be subject to the subsequent sanction of the Grand Court.

On behalf of the Board
CST Group Limited
中譽集團有限公司

Dated 27 October 2023

Executive Directors:

Mr. Chiu Tao (*Chairman*)
Mr. Han Xuyang (*Chief Executive Officer*)
Mr. Hui Richard Rui (*General Manager*)
Mr. Kwan Kam Hung, Jimmy

Independent Non-executive Directors:

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

Registered Office:

94 Solaris Avenue
2nd Floor, Camana Bay
P.O. Box 30745
Grand Cayman KY1-1203
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

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

Notes:

- (1) Voting at the Court Meeting will be taken by poll in accordance with the amended and restated articles of association of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (2) The register of members of the Company will be closed from Tuesday, 14 November 2023 to Monday, 20 November 2023 and during such period no transfer of Shares (as defined in the Scheme Document) will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 13 November 2023.



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of holders of ordinary shares of HK\$0.01 each (the “Shares”) in the share capital of CST Group Limited 中譽集團有限公司 (the “Company”) will be held at Boardroom 3-4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 20 November 2023 at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the Scheme Document, as further defined below)), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. “THAT:

- (a) pursuant to a scheme of arrangement dated 27 October 2023 (the “Scheme”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purpose of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme), any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares (as defined in the Scheme) be and is hereby approved;”

ORDINARY RESOLUTIONS

2. “THAT:

- (a) subject to and immediately after the cancellation of the Scheme Shares referred to in resolution 1(a) above, the issued share capital of the Company be restored to the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror (as defined in the Scheme) the same number of Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled and the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares be applied by the Company in paying up in full at par the new Shares to be issued to the Offeror, and any one of the directors of the Company be and is hereby authorized to allot and issue the same accordingly;

- (b) any one of the directors of the Company be and is hereby unconditionally authorized to do all such acts and things and/or to sign all such documents as considered by him to be necessary or desirable for and in connection with the implementation of the Proposal (as defined in the Scheme), including without limitation, any reduction of share capital and restoration of share capital, the allotment and issue of Shares, and the giving on behalf of the Company of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose; and
- (c) any one of the directors of the Company be and is hereby authorized to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company, subject to the Scheme taking effect.”

By Order of the Board
CST Group Limited
Li Man Ting
Company Secretary

Hong Kong, 27 October, 2023

Registered Office:

94 Solaris Avenue
2nd Floor, Camana Bay
P.O. Box 30745
Grand Cayman KY1-1203
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:

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

Notes:

- (1) A shareholder entitled to attend and vote at the EGM is entitled to appoint one, and if such shareholder is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her. A proxy needs not be a member of the Company, but must attend the EGM in person to represent him/her.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the scheme document dated 27 October 2023 (the “**Scheme Document**”) containing the Scheme and despatched to the shareholders on 27 October 2023.
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Tengis Limited, the Company’s Hong Kong branch share registrar and transfer office at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof, failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a shareholder from attending the EGM and voting in person if he/she so wishes and in such event, his/her **white** form of proxy shall be revoked by operation of law.

- (4) In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/or she was solely entitled thereto, but if more than one of such joint holders be present at the EGM, whether in person or by proxy, the vote of the senior who tenders a vote, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding of the Shares.
- (5) Voting at the EGM will be taken by poll in accordance with the amended and restated articles of association of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The register of members of the Company will be closed from Tuesday, 14 November 2023 to Monday, 20 November 2023 and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 13 November 2023.