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UP ENERGY
Up Energy Development Group Limited
優派能源發展集團有限公司*
(In Provisional Liquidation (For Restructuring Purposes))
(Incorporated in Bermuda with limited liability)
(Stock code: 307)

- (1) CREDITORS' SCHEME;**
(2) PROPOSED CAPITAL RESTRUCTURING;
(3) PROPOSED ISSUING AND ALLOTMENT OF NEW SHARES UNDER SPECIFIC MANDATE;
(4) PROPOSED LOAN FACILITY;
(5) PROPOSED PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(6) CONNECTED TRANSACTIONS IN RELATION TO PROPOSED ISSUING AND ALLOTMENT OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(7) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL

As stated in the Company's announcements dated 28 November 2017 and 12 September 2018, the Listing Department has decided to place the Company into the third delisting stage under Practice Notice 17 to the Listing Rules and the Company was required to provide a viable resumption proposal to the Stock Exchange at least 10 business days before the third delisting stage expires (i.e. by 25 February 2019). On 25 February 2019, the Company submitted the resumption proposal which involves the Creditors' Scheme, the Capital Restructuring, the issuing and allotment of New Shares, the loan facility and the placing of new shares.

CREDITORS' SCHEME

The Scheme mainly comprises the debt restructuring and the issuing and allotment of New Shares. Under the Scheme, the Company will issue and allot Scheme Shares to the Creditors to discharge and release the Claims owed by the Company to the Creditors in full and issue Bonus Shares to ICA (subject to the terms of the Loan Facility Agreement) and Kaisun Consulting (subject to the terms of the Service Agreement).

As at the date of this announcement, based on the available books and records of the Company, the estimated total amount of Claims against the Company is approximately HK\$6,011 million (excluding Preferential Claim(s) but without excluding the value of any Securities Interest pending valuation of the same by the Scheme Administrator). This figure is indicative only and will be subject to final determination made by the Scheme Administrator and adjudication under the Scheme, if applicable.

PROPOSED CAPITAL RESTRUCTURING

As at the date of this announcement, the authorised share capital of the Company was HK\$4,040,000,000 divided into 22,000,000,000 Shares, of which 4,538,515,411 Shares had been issued and were fully paid or credited as fully paid up.

Under the Capital Restructuring, the value of every Share shall be reduced from HK\$0.20 to HK\$0.01 by the reduction of HK\$0.19 value for each Share and the existing unissued share capital of the Company of HK\$194,614,845.89 (including HK\$40,000,000 of the unissued convertible non-voting preference shares at HK\$0.02 each) will be cancelled in its entirety.

The authorised share capital of the Company is proposed to reduce from HK\$4,040,000,000 divided into 22,000,000,000 Shares to HK\$2,200,000,000 divided into 220,000,000,000 Shares by the creation of additional 215,461,484,589 new Shares, all of which will rank *pari passu* with all existing Shares. The proposed increase in authorised share capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

PROPOSED ISSUING AND ALLOTMENT OF NEW SHARES UNDER SPECIFIC MANDATE

Subject to the Scheme becoming effective, the Company will implement the issuing and allotment of New Shares, under which it is estimated that the Company will issue and allot, in aggregate, up to approximately 46,600,371,845 Scheme Shares (or such other number of new Shares as the Scheme Administrators may determine, which in any event would not be more than a total of 18,428,570,965 Scheme Shares to be issued and allotted to Up Energy Group and parties acting in concert with it pursuant to the Scheme) at HK\$0.129 per Scheme Share to the Creditors for all the Admitted Claims of HK\$6,011,447,965.70 to settle claims and liabilities of the Company in full with the Creditors with Admitted Claims under the Scheme (taking into account all possible Unadmitted Claims), subject to a lock-up period of one year from the issuance of the Scheme Shares and pursuant to the terms of the Scheme.

Pursuant to the Loan Facility Agreement dated 6 March 2018 and the Deed dated 14 January 2019 entered into between ICA, the Company and the JPLs on behalf of the Company, ICA will be entitled to receive Bonus Shares in the amount of up to approximately HK\$30 million (i.e. 232,558,140 Bonus Shares with Issue Price of HK\$0.129 per Bonus Share) upon certain conditions.

Pursuant to the Service Agreement dated 8 August 2018 entered into between the Company and Kaisun Consulting, the Company engaged Kaisun Consulting as a coordinator and introducer of financing, Kaisun Consulting will be entitled to receive Bonus Shares in the amount of up to approximately HK\$45 million (i.e. 348,837,210 Bonus Shares with Issue Price of HK\$0.129 per Bonus Share) upon certain conditions.

PROPOSED LOAN FACILITY

Pursuant to the Loan Facility Agreement dated 6 March 2018 and the Deed dated 14 January 2019 entered into between ICA, the Company and the JPLs on behalf of the Company, ICA has conditionally agreed to provide a loan facility of up to HK\$800 million at the interest rate of 18% per annum to the Company to ease the Group's liquidity challenge and to facilitate the restructuring of the Company.

On 18 August 2020, a Supplemental Agreement in relation to the Loan Facility was entered into between ICA, the Company and the JPLs on behalf of the Company. Pursuant to which, ICA will provide a special drawing up to HK\$176 million (or any higher sum to be agreed between ICA and the Company) under the Loan Facility, subject to terms and conditions set out in the Supplemental Agreement, but allow the initial drawing prior to the fulfilment of the certain conditions precedent as set out in the Loan Facility Agreement and Deed.

PROPOSED PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Pursuant to the Placing Agreement dated 18 May 2018 entered into between the Company as the issuer and SBI as the Placing Agent, SBI has conditionally agreed to place, on a best efforts basis, up to 2,000,000,000 Placing Shares of nominal value of HK\$0.01 each at the placing price of HK\$0.129 per Placing Share to not less than six Placees who are independent of and not connected with the Group and independent of and not acting in concert with Up Energy Group. Further announcements will be made in relation to the proposed placing of new Shares.

IMPLICATIONS UNDER THE LISTING RULES AND CONNECTED TRANSACTIONS IN RELATION TO THE ISSUING AND ALLOTMENT OF NEW SHARES UNDER SPECIFIC MANDATE

Up Energy Group is a substantial Shareholder and there is an outstanding amount of HK\$2.38 billion in the form of convertible bonds issued by the Company to Up Energy Group arising from the acquisition of the Company in 2010. As at the date of this announcement, Up Energy Group is interested in 1,377,073,492 Shares, representing approximately 30.34% of the total issued share capital of the Company.

Among the Creditors, Mr. Zhang Li is a Director and is deemed to be interested in the Shares. As at the date of this announcement, Ms. Chen Wan, the wife of Mr. Zhang Li, is interested in 24,100,000 Shares, representing approximately 0.53% of the total issued share capital of the Company. Mr. Zhang Li therefore is taken to be interested in the relevant Shares by virtue of the SFO.

Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng are the other Directors who will participate in the Scheme as Creditors.

Under the Scheme, subject to adjudication of claims, Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng shall have the same entitlement as the other Creditors. Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng have confirmed that they will compromise their debts against the Company pursuant to the Scheme and the treatment to be received by them under the Scheme shall be the same as those of the other Creditors.

Accordingly, Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng (collectively, the “**Connected Persons**”) are connected persons of the Company under Chapter 14A of Listing Rules.

Therefore, so far as the issue of New Shares to the Connected Persons under the Creditors’ Scheme are concerned, the Creditors’ Scheme will upon implementation constitute connected transactions of the Company under Chapter 14A of Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements, which the Connected Persons will be required to abstain from voting on the relevant resolutions relating to the Creditors’ Scheme at the SGM.

As at the date of this announcement, save for Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng, the other Creditors are independent of and not connected with the Company and its subsidiaries, its connected person(s) and their respective associate(s).

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

Under the Proposed Restructuring, Up Energy Group (the controlling Shareholder) and parties acting in concert with it (including Deloitte Touche Tohmatsu (the appointed receivers to the assets of Up Energy Group)) may increase its existing shareholding of the Company of approximately 30.34% up to a maximum of approximately 50.32% subject to the adjudication of the claims against the Company to be done by the Scheme Administrator under the Scheme. For avoidance of doubt, on 18 April 2018 and 3 May 2018 respectively, Messrs Lai Kar Yan, Yeung Lui Ming and Ho Kwok Leung Glen, all of Deloitte Touche Tohmatsu, have been appointed as joint and several receivers over, amongst others, 1,331,051,890 issued Shares and the Convertible Notes issued by the Company in the face value of HK\$2,189,250,000, which are held by Up Energy Group. Mr. Wang Chuan, a Director of the Company, is the brother of Ms. Wang Jue, who is one of the beneficiaries of the J&J Trust which indirectly holds 100% interest in Up Energy Group. Mr. Wang Chuan is not a shareholder of the Company but is a creditor of the Company under the Scheme claiming for a sum of HK\$721,966.67 and shall have the same entitlement as other Creditors.

Pursuant to Rule 26.1 of the Takeovers Code, immediately upon completion of the proposed issuing and allotment of New Shares under the Scheme, Up Energy Group would be obliged to make a mandatory general offer to the Shareholders for all the issued shares and other securities of the Company not already owned or agreed to be acquired by Up Energy Group and parties acting in concert with it (including Deloitte Touche Tohmatsu as receivers and Mr. Wang Chuan), unless the Executive grant a Whitewash Waiver which is approved by the Independent Shareholders at the SGM and in accordance with the requirements of the Takeovers Code.

In this regard, it is intended that the Proposed Restructuring will be conditional upon the grant of the Whitewash Waiver, and the Whitewash Waiver as well as the Proposed Restructuring having been approved by the Shareholders who are permitted to vote under the Takeovers Code at the SGM and such conditions in relation to the Whitewash Waiver cannot be waived.

If the Whitewash Waiver is granted by the Executive and the resolutions approving the Whitewash Waiver and the transactions contemplated under the Creditors' Scheme are approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the SGM by poll, Up Energy Group will not be required to make a mandatory general offer which would otherwise be required as a result of completion of the issuing and allotment of the New Shares.

If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the transactions contemplated under the Creditors' Scheme will not proceed.

Consent for Special Deal

Among the Shareholders, Exploratory Capital Limited, Bank of Communications Trustee Limited, Mr. Zhang Li, Asia Light Enterprises Limited, Ms. Ma Hiu Ngai and Capital Sunlight Limited are Creditor Shareholders, and Hao Tian Group is a potential Creditor Shareholder.

As at the date of this announcement, Exploratory Capital Limited is interested in 300,000,000 Shares, representing approximately 6.61% of the Shares; Bank of Communications Trustee Limited is interested in 62,134,000 Shares, representing approximately 1.37% of the Shares; Mr. Zhang Li is deemed to be interested in 24,100,000 Shares, representing approximately 0.53% of the Shares; Asia Light Enterprises Limited is interested in 20,000,000 Shares, representing approximately 0.44% of the Shares; Ms. Ma Hiu Ngai is deemed to be interested in 2,000,000 Shares, representing approximately 0.04% of the Shares; Capital Sunlight Limited is interested in 1,556,425 Shares, representing approximately 0.03% of the Shares; and Hao Tian Group is interested in 371,500,000 Shares, representing approximately 8.19% of the Shares.

As at the date of this announcement, the Creditor Shareholders have claims of approximately HK\$1,344 million in aggregate against the Company. The Creditor Shareholders may receive payments under the Creditors' Scheme if they become effective and such payments are not extended to other Shareholders who are not Creditors. As such, the Creditors' Scheme constitute a special deal under Note 5 to Rule 25 of the Takeovers Code, and requires the consent of the Executive, provided that the Independent Financial Adviser considers that the terms of the transactions contemplated thereunder are fair and reasonable and the transaction is approved by the Independent Shareholders at the SGM. The Company will apply to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Creditors' Scheme.

The Creditor Shareholders will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.

GENERAL

A circular containing, among others, (i) further details of the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver and the Special Deal; (ii) further details of the Reduction in Authorised Share Capital; (iii) a letter from the JPLs containing its opinion and recommendations to the Independent Shareholders in respect of the Creditors' Scheme, the Whitewash Waiver and the Special Deal; (iv) a letter of advice from the Independent Financial Adviser to the Independent Shareholders in respect of the Creditors' Scheme, the Whitewash Waiver and the Special Deal; and (vii) a notice convening the SGM, is expected to be despatched to the Shareholders as soon as possible. Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to Shareholders the circular within 21 days from the date of publication of this announcement, that is, on or before 25 September 2020.

DELISTING DECISION OF THE LISTING COMMITTEE

References are made to the Company's announcements dated 31 March 2020, 1 April 2020, 5 May 2020 and 5 August 2020 respectively in which the Listing Committee decided to delist the Company on 6 April 2020 and subsequently the Company lodged a review application against the Listing Committee's decision. The Listing (Review) Committee accepted the review application and a review hearing was scheduled for 15 September 2020.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 30 June 2016. Trading in the Shares will remain suspended until further notice.

The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption. The Company will keep the public informed of the latest development by making further announcements as and when appropriate. Shareholders and potential investors should note that the Scheme, the Capital Restructuring, the Placing, the Whitewash Waiver and the Special Deal are subject to various conditions which may or may not be fulfilled, in particular, whether the Stock Exchange will allow the Scheme and accompanying transactions to proceed. Therefore, such transactions may or may not materialise and proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

This announcement is made by Up Energy Development Group Limited (In Provisional Liquidation (For Restructuring Purposes)) (the “**Company**”) pursuant to Rule 13.09 and Rule 13.24A of the Listing Rules, Rule 3.5 of the Takeovers Code and the provisions of inside information under Part XIVA of the SFO.

As stated in the Company’s announcements dated 28 November 2017 and 12 September 2018, the Listing Department has decided to place the Company into the third delisting stage under Practice Notice 17 to the Listing Rules and the Company was required to provide a viable resumption proposal to the Stock Exchange at least 10 business days before the third delisting stage expires (i.e. by 25 February 2019). On 25 February 2019, the Company submitted the resumption proposal which involves the Creditors’ Scheme, the Capital Restructuring, the issuing and allotment of New Shares, the loan facility and the placing of new shares.

(1) CREDITORS’ SCHEME

References are made to the Company’s announcements dated 8 May 2019, 7 August 2019, 18 September 2019, 30 September 2019, 6 November 2019, 7 February 2020, 5 May 2020 and 5 August 2020 respectively in which the Company had announced that the Company proposed to implement the Creditors’ Scheme, which has been sanctioned by the Bermuda Court and is subject to sanction by the Hong Kong Court.

The Scheme mainly comprises the debt restructuring and the issuing and allotment of New Shares. Under the Scheme, the Company will issue and allot Scheme Shares to the Creditors to discharge and release the Claims owed by the Company to the Creditors in full and issue Bonus Shares to ICA (subject to the terms of the Loan Facility Agreement) and Kaisun Consulting (subject to the terms of the Service Agreement), details of which are set out in the section headed “(3) Issuing and allotment of New Shares under Specific Mandate” below.

As at the date of this announcement, based on the available books and records of the Company, the estimated total amount of Claims against the Company is approximately HK\$6,011 million (excluding Preferential Claim(s) but without excluding the value of any Securities Interest pending valuation of the same by the Scheme Administrator). This figure is indicative only and will be subject to final determination made by the Scheme Administrator and adjudication under the Scheme, if applicable.

At the Scheme Meeting convened and held on 30 September 2019, the Scheme was approved by the requisite statutory majorities of the Creditors. Subsequent to the Scheme Meeting, on 1 November 2019, the Scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Bermuda Companies Act. The Company will submit the Scheme to the Hong Kong Court for sanction upon completion of the SGM.

After the sanction of the Hong Kong Court has been obtained, the Sanctioning Orders will be filed with the Companies Registry in Hong Kong and the equivalent in Bermuda for registrations respectively, and the Scheme will, subject to the fulfilment of the conditions precedent as listed below, then become effective.

The Scheme Administrator will then assign the Cut-Off Date of the Scheme for filing all notice of claims from the Creditors to the Company and notify the final amounts of the claims of each of the Creditors after assessments of the claims. At or as soon as reasonably practicable after the Cut-Off Date, the Scheme Administrator will determine the Scheme Shares Entitlement of each Creditor with an Admitted Claim who has delivered a Notice of Claim on or before the Cut-Off Date, subject to a lock-up period of one year from the issuance of the Scheme Shares and pursuant to the terms of the Scheme.

In the event that the final amounts of Admitted Claims require the Company to issue more Scheme Shares than the currently proposed issue of Scheme Shares, the Company intends to issue additional Scheme Shares complying with all applicable rules and regulations (including but not limited to convening a general meeting to seek approvals from Shareholders whenever necessary and applying for listing on the Stock Exchange). Having said the above, the Company estimates that the chances of this should be remote. Further, the Company will make timely announcements to notify the Shareholders on the progress of the Scheme.

With effect from the Effective Date of the Scheme, each of the Creditors discharges and waives all of its Claims against the Company in consideration of the right to participate with each of the other Creditors in the issuing and allotment of Scheme Shares pursuant to the terms of the Scheme.

The Scheme will become effective and binding on the Company and its Creditors if the following conditions are satisfied:

- (a) having over 50% in number, representing at least 75% in value of the Creditors present and voting in person or by proxy at the Scheme Meeting, vote in favour of the Scheme;
- (b) the Hong Kong Court having sanctioned the Scheme and an office copy of the order of the Hong Kong Court sanctioning the Scheme having been delivered to the Registrar of Companies in Hong Kong for registration;
- (c) the Bermuda Court having sanctioned the Scheme and an office copy of the order of the Bermuda Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration; and
- (d) trading in the Shares in the Main Board is resumed.

All the above conditions are not capable of being waived. The conditions precedent for the issuing and allotment of New Shares are set out in the sub-section headed “Principal terms of the issuing and allotment of New Shares” under the section headed “(3) Issuing and allotment of New Shares under Specific Mandate” below.

Notwithstanding that the Scheme will be binding on all Creditors under the laws of Hong Kong and the laws of Bermuda, the Scheme may not prevent the Creditors from taking actions against the Company in jurisdictions outside Hong Kong and Bermuda in the event that the proper laws of the contract governing the debt is not the laws of Hong Kong or the laws of Bermuda.

(2) CAPITAL RESTRUCTURING

As at the date of this announcement, the authorised share capital of the Company was HK\$4,040,000,000 divided into 22,000,000,000 shares, of which 4,538,515,411 Shares had been issued and were fully paid or credited as fully paid up.

Under the Capital Restructuring, the par value of every Share shall be reduced from HK\$0.20 to HK\$0.01 by the reduction of HK\$0.19 value for each Share and the existing unissued share capital of the Company of HK\$194,614,845.89 (including HK\$40,000,000 of the unissued convertible non-voting preference shares at HK\$0.02 each) will be cancelled in its entirety.

The authorised share capital of the Company is proposed to reduce from HK\$4,040,000,000 divided into 22,000,000,000 shares to HK\$2,200,000,000 divided into 220,000,000,000 Shares by the creation of additional 215,461,484,589 new Shares, all of which will rank *pari passu* with all existing Shares. The proposed increase in authorised share capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

(3) ISSUING AND ALLOTMENT OF NEW SHARES UNDER SPECIFIC MANDATE

Subject to the Scheme becoming effective, the Company will implement the issuing and allotment of New Shares, under which it is estimated that the Company will issue and allot, in aggregate, up to approximately 46,600,371,845 Scheme Shares (or such other number of new Shares as the Scheme Administrators may determine, which in any event would not be more than a total of 18,428,570,965 Scheme Shares to be issued and allotted to Up Energy Group and parties acting in concert with it pursuant to the Scheme) at HK\$0.129 per Scheme Share to the Creditors for all the Admitted Claims of HK\$6,011,447,965.70 to settle claims and liabilities of the Company in full with the Creditors with Admitted Claims under the Scheme (taking into account all possible Unadmitted Claims), subject to a lock-up period of one year from the issuance of the Scheme Shares and pursuant to the terms of the Scheme.

Pursuant to the Loan Facility Agreement dated 6 March 2018 and the Deed dated 14 January 2019 entered into between ICA, the Company and the JPLs on behalf of the Company, ICA will be entitled to receive Bonus Shares in the amount of up to approximately HK\$30 million (i.e. 232,558,140 Bonus Shares with Issue Price of HK\$0.129 per Bonus Share) upon certain conditions. The terms of the Loan Facility

Agreement, including the issue of Bonus Shares, were determined after arm's length negotiations between the Company and ICA. Details of the Loan Facility Agreement will be set out in the section headed "(4) Loan Facility Agreement" below.

Pursuant to the Service Agreement dated 8 August 2018 entered into between the Company and Kaisun Consulting, the Company engaged Kaisun Consulting as a coordinator and introducer of financing, Kaisun Consulting will be entitled to receive Bonus Shares in the amount of up to approximately HK\$45 million (i.e. 348,837,210 Bonus Shares with Issue Price of HK\$0.129 per Bonus Share) upon (i) its successful introduction of funder(s) that the Company enter into any formal and legally binding agreements and/or other contractual arrangements who all together will provide to the Group in total not less than HK\$400 million or such amount deemed sufficient to resume the Company's business; and (ii) the trading of the Shares is successfully resumed. The terms of the Service Agreement, including the issue of Bonus Shares, was determined after arm's length negotiations between the parties with reference to the profile of Kaisun Consulting. Kaisun Consulting has extensive experience and networks in the coal mining industry and in Xinjiang region. Pursuant to the Service Agreement, Kaisun Consulting will utilise its resources to negotiate with various stakeholders, *inter alia*, the creditors, potential funders, etc. As of the date of this announcement, Kaisun Consulting has introduced two funders to the Company, details of which are set out in the sub-sections headed "Project Services Agreement" and "Xiaohuangshan Mine Construction Agreement and the Xiaohuangshan Mine Supplemental Agreement" under the section headed "Background to and reasons for the Creditors' Scheme" below.

As at the date of this announcement, (i) ICA and Kaisun Consulting and their respective beneficial owners do not hold any Shares; and (ii) ICA and Kaisun Consulting are independent of and not acting in concert with the Up Energy Group.

Details of the principal terms of the issuing and allotment of New Shares under the Scheme is set out below.

Principal terms of the issuing and allotment of New Shares

Issuer:	The Company
Issue Price:	HK\$0.129 per New Share
Total number of New Shares to be issued:	Up to 46,600,371,845 Scheme Shares (subject to the determination of Admitted Claims in accordance with the terms of the Scheme) for the Creditors, representing respectively: <ul style="list-style-type: none">(i) approximately 1,026.78% of the existing issued share capital of the Company as at the date of this announcement; and(ii) approximately 90.10% of the issued share capital of the Company as enlarged by the issuing and allotment of New Shares.

Up to 232,558,140 Bonus Shares (subject to the terms of the Loan Facility Agreement) for ICA, representing respectively:

- (i) approximately 5.12% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 0.45% of the issued share capital of the Company as enlarged by the issuing and allotment of New Shares.

Up to 348,837,210 Bonus Shares (subject to the terms of the Service Agreement) for Kaisun Consulting, representing respectively:

- (i) approximately 7.69% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 0.67% of the issued share capital of the Company as enlarged by the issuing and allotment of New Shares.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Effective Date, the aggregate maximum number of New Shares represent respectively:

- (i) approximately 1,040% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 91% of the issued share capital of the Company as enlarged by the issuing and allotment of New Shares. The Company will not issue and allot any fractions of New Shares.

Value of the New Shares to be issued to the Creditors:

Up to approximately HK\$6,011 million (subject to the determination of Admitted Claims in accordance with the terms of the Scheme) for the Creditors.

Up to approximately HK\$30 million (subject to the terms of the Loan Facility Agreement) for ICA at the Issue Price of HK\$0.129.

Up to approximately HK\$45 million (subject to the terms of the Service Agreement) for Kaisun Consulting at the Issue Price of HK\$0.129.

- Lock-up period:** The Scheme Shares are subject to a lock-up period of 12 months from the issuance of the Scheme Shares and pursuant to the terms of the Scheme.
- Ranking:** The New Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of the issue of the New Shares.
- Listing:** Application will be made for the listing of New Shares on the Stock Exchange.
- Conditions precedent:**
- (a) The orders sanctioning the Scheme having been granted by the Bermuda Court and the Hong Kong Court separately;
 - (b) the Company having obtained the requisite approval from the Independent Shareholders and/or the Scheme Creditors on the Scheme;
 - (c) the resolutions in relation to (i) the transactions contemplated under the Creditors' Scheme; (ii) the grant of the Specific Mandate for the issuing and allotment of the New Shares; (iii) the Whitewash Waiver; and (iv) the Special Deal to be approved by the Independent Shareholders at the SGM by way of poll and the resolution in relation to the proposed Reduction in Authorised Share Capital to be approved by the Shareholders at the SGM;
 - (d) the resumption of the trading of the Shares in the Main Board of the Stock Exchange;
 - (e) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the New Shares to be issued and such approval not being subsequently revoked;
 - (f) the Executive granting the Whitewash Waiver to Up Energy Group and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such Whitewash Waiver not being subsequently revoked; and
 - (g) the consent of the Executive in relation to the transactions contemplated under the Creditors' Scheme as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to completion.

Completion: Completion shall take place if and when allotment of Scheme Shares to all Creditors with Admitted Claims under the Scheme have been made or such other date as decided by the Company and approved by the Scheme Administrator provided that all conditions precedent of the issuing and allotment of New Shares (save for condition to thereunder) are satisfied.

All of the conditions precedent stated above are non-waivable. As of the date of this announcement, an order for sanctioning the Scheme was granted by the Bermuda Court on 1 November 2019 and the requisite approval on the Scheme was obtained from the Creditors.

Determination of the Issue Price

The Issue Price was determined after considering, among other things, the share price performance of the Company and the acceptability of the Creditors towards the terms of the Scheme. The JPLs consider that the terms and conditions of the Scheme (including the Issue Price) are fair and reasonable and in the interests of the Company and its stakeholders, including its Shareholders and creditors, as a whole.

Specific Mandate

The New Shares will be issued and allotted under the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

(4) LOAN FACILITY AGREEMENT

Pursuant to the Loan Facility Agreement dated 6 March 2018 and the Deed dated 14 January 2019 entered into between ICA, the Company and the JPLs on behalf of the Company, ICA has conditionally agreed to provide a loan facility of up to HK\$800 million at the interest rate of 18% per annum to the Company to ease the Group's liquidity challenge and to facilitate the restructuring of the Company.

The details of the principal terms of the Loan Facility Agreement and the Deed are summarised as follows:

Principal terms of the Loan Facility

Dates: 6 March 2018 for the Loan Facility Agreement and 14 January 2019 for the Deed

Parties: the Company as the borrower;
ICA as the lender; and
the JPLs

Principal amount: up to HK\$800 million

Interest rate: 18% per annum

Repayment: the Company should make partial repayments of the Loan Facility pursuant to the repayment schedule provided to ICA or as may be from time to time agreed between ICA and the Company and repay the Loan Facility in full on or before the final repayment date as stated in the repayment schedule

Bonus Shares: if one or more successful drawing(s) is/are made by ICA to the Company (regardless of the amount of such drawing(s)) and the trading of the Shares is successfully resumed:

ICA will be entitled to receive Bonus Shares in the amount of up to approximately HK\$30 million (i.e. 232,558,140 Bonus Shares with Issue Price of HK\$0.129 per Bonus Share)

Bonus Options: if one or more successful drawing(s) is/are made by ICA to the Company (regardless of the amount of such drawing(s)) and the trading of the Shares is successfully resumed:

ICA will have 387,596,900 Bonus Options and require the Company to, and the Company will be obliged to at its costs and expenses, arrange for placing of one Share of the Company per Bonus Option to investor(s) at the best price reasonably obtainable. If the placing price for each placing share of the Company is below HK\$0.129, then the Company shall pay to ICA in cash an amount equivalent to:

Amount = HK\$0.129 – the placing price (the “**Shortfall**”)

The Bonus Options are exercisable by ICA during the period beginning on the 366th day following the date of the resumption of trading of the Shares of the Company and ending on the 730th day following the date of resumption of trading of the Shares of the Company. It is expressly agreed that ICA can at most exercise the Bonus Option(s) three (3) times during the Bonus Option Period and upon each time exercising not less than 100,000,000 Bonus Options.

ICA shall exercise the Bonus Option(s) by way of giving a written notice to the Company. Within 15 Business Days after the Company’s receipt of the Bonus Option Notice, the Company shall arrange for placing of one Share of the Company per Bonus Option to the investor(s) at the best price reasonably obtainable. Within 20 Business Days after the Company’s receipt of the Bonus Option Notice, the Company shall pay to ICA the proceeds of the placing and the Shortfall, if any.

- Conditions precedent:**
- (a) the Loan Facility and each drawing of the Loan Facility are subject to the conditions precedent, and will become available to the Company (on and subject to the terms and conditions of the Loan Facility Agreement and the Deed) when ICA has confirmed receipt of all of the documents and evidence set out as below:
 - (i) certified copy of the respective orders of the Bermuda Court and/or Hong Kong Courts sanctioning the Company entering into the Loan Facility Agreement and the Deed;
 - (ii) certified copy of the certificate of incorporation of the Company and the Covenants;
 - (iii) certified copy of the business registration certificate of the Company and the Covenants;
 - (iv) certified copy of the bye-laws or other equivalent constitutional documents of the Company;
 - (v) certified copy of the register of charges of the Company and the Covenants;
 - (vi) any other security documentation, including but not limited to a legal opinion if so required by ICA, concerning, *inter alia*, (i) first charge (s) over the Shares of the subsidiary(ies) of the Company (namely, UE (Fukang) Mining and/or UE Coking) and (ii) first charge over the core asset(s) of the subsidiary(ies) of the Company (namely, the coal coking equipment and facilities of UE Coking and/or the Xiaohuangshan Mine of UE (Fukang) Mining) and/or any other assets requested by and acceptable to ICA from time to time at its sole and absolute discretion;
 - (vii) evidence, including but not limited to reports from a professional valuer and/or financial adviser if so required by ICA, to the satisfaction of ICA that the value of the security to be provided for the relevant drawing on distress or forced sale basis shall be no less than 2.5 times of the amount of the relevant drawing;
 - (viii) proposed repayment schedule in respect of each drawing acceptable to ICA from time to time at its sole and absolute discretion; and

- (ix) a cash flow forecast of the relevant subsidiary of the Company and/or the consolidated cash flow forecast of the Company acceptable to ICA from time to time at ICA's sole and absolute discretion.

All the documents mentioned above shall be in form and substance satisfactory to ICA. A written confirmation of fulfilment of all the conditions shall be issued by ICA to the Company before each drawing is made.

- (b) If the Bermuda Court and/or the Hong Kong Court (where applicable) refuse to approve the Loan Facility Agreement and the Deed and/or the Company is unable to obtain the approval(s) by 28 February 2019 (or any extension of time as may be agreed between ICA and the Company), as set out in the Loan Facility Agreement and the Deed or as varied according to the agreement entered into among the parties of the Loan Facility Agreement and the Deed, then the Loan Facility Agreement and the Deed will terminate and each party hereto shall have no liability to the other party or any person.

On 1 February 2019, the Loan Facility Agreement and the Deed were sanctioned and approved by the Bermuda Court. However, as at the date of this announcement, conditions precedent of the Loan Facility Agreement and the Deed have not yet been satisfied.

Pursuant to the Loan Facility Agreement, the Deed and the subsequent confirmations of ICA, it is an event of default, among other, if (i) the Company fail to pay any sum payable or perform its obligations timely; (ii) if the Company and its covenantor failed or there occur a material adverse change affecting the Company and its covenantor's ability to perform their obligations; (iii) the winding-up petitions against the Company in Hong Kong and Bermuda are not withdrawn or dismissed by 30 September 2020; (iv) the Company cannot resume the trading of the Shares in the Stock Exchange by 30 September 2020; and (v) the Scheme is not approved by the requisite majority of the financial creditors and sanctioned by the Hong Kong Court and the Bermuda Court by 30 September 2020.

On 18 August 2020, a Supplemental Agreement in relation to the Loan Facility was entered into between ICA, the Company and the JPLs on behalf of the Company. Pursuant to which, ICA will provide a special drawing up to HK\$176 million (or any higher sum to be agreed between ICA and the Company) under the Loan Facility subject to terms and conditions set out in the Supplemental Agreement but allow the initial drawing prior to the fulfilment of the certain conditions precedent as set out in the Loan Facility Agreement and Deed. For the avoidance of doubt, any other subsequent drawings are subject to the terms and conditions of the Loan Facility Agreement and Deed.

Principal terms of the Supplemental Agreement

- Dates:** 18 August 2020
- Parties:** the Company as the borrower;
ICA as the lender; and
the JPLs
- Amount of special drawing:** A sum up to HK\$176,000,000
- Interest rate:** 24% per annum until the completion of registration of a first rank charge over the Xiaohuangshan Mine, and reduced to 18% per annum
- Repayment:** The Company agrees that repayment of the special drawing will commence at the sixth (6th) months after the respective drawing(s) as specified below and settled in full within twenty-four (24) months.
- If the Company is not able to fulfil the drawdown required for the drawing under (e) below, the repayment for the drawings under (a), (b), (c) and (d) below shall be settled in full in twelve (12) months upon its respective drawings.
- Conditions:** ICA agrees to provide the special drawings to the Company subject to following condition(s):
- (a) A first special drawing for settlement of restructuring expenses of the Company — within five (5) Business Days upon signing of the Supplemental Agreement; and within 45 Business Days immediately upon receipt of the first special drawing as stated herein, the Company shall perform or procure the following:
 - (i) completion of registration of the charge over 105,388,145 issued ordinary shares of Up Energy Investment (China) Ltd, representing 100% issued share capital of Up Energy Investment (China) Ltd in favour of ICA;
 - (ii) completion of registration of the charge over 50,000 issued ordinary shares of Up Energy International Ltd, representing 100% issued share capital of Up Energy International Ltd in favour of ICA;
 - (iii) completion of registration of the charge over 10,000 issued ordinary shares of Up Energy (Hong Kong) Limited, representing 100% issued share capital of Up Energy (Hong Kong) Limited in favour of ICA;

- (iv) completion of registration of a first rank charge over the share capital amounted to USD14,990,000 of UE (Fukang) Mining, representing 79.2% issued share capital of UE (Fukang) Mining in favour of ICA subject to ICA taking the legally necessary step including but not limited to lending money directly if so required to UE (Fukang) Mining;
 - (v) obtaining the necessary approval for the Supplemental Agreement, including but not limited to obtaining approval from the Bermuda Court; and
 - (vi) failing to fulfil any one condition of the above shall constitute an event of default and ICA shall terminate the special drawing and request the Company for the immediate payment of any outstanding loan amount;
- (b) a second special drawing for settlement of the commitment fee payable to ICA — immediately after the Company's receipt of the first special drawing as specified under (a) above;
 - (c) a third special drawing for settlement of restructuring expenses of the Company — within ten (10) Business Days upon settlement of the commitment fee payable to ICA as specified under (b) above;
 - (d) a fourth special drawing for settlement of restructuring expenses of the Company — within five (5) Business Days after the Shareholders passing all necessary resolutions at the contemplating special general meeting which are necessary for the transactions contemplated under the Creditors' Scheme to be effective in compliance with the Listing Rules, the Takeovers Code and any other requirements;
 - (e) a fifth special drawing for the payment or settlement of the prepayment of the resources tax in relation to the Xiaohuangshan Mine within ten (10) Business Days upon the fulfilment of the following:
 - (i) to arrange meeting(s) in relation to the Xiaohuangshan Mine for ICA's representative(s) to meet with the relevant government authorities in Xinjiang;

- (ii) at the sole discretion of ICA that a satisfactory result in development of the Xiaohuangshan Mine is obtained in the meeting(s) as stated in (i) above;
 - (iii) completion of the assessment of the prepayment of resources tax of the Xiaohuangshan Mine and an invoice or equivalent document is issued by the relevant government authority and which is provided to ICA;
 - (iv) a feasible plan and a legal opinion to be issued by a recognized PRC law firm in Xinjiang to specify and confirm the procedures so that ICA can register a first rank charge over the Xiaohuangshan Mine (including but not limited to the mining licenses) within 30 Business Days upon the payment of the prepayment of the resources tax;
 - (v) any other documents in relation to the Xiaohuangshan Mine which is requested by ICA from time to time; and
 - (vi) any commitment in relation to Xiaohuangshan Mine which ICA deems necessary to protect its interest;
- (f) The Company undertakes to procure and provide all necessary assistance to UE (Fukang) Mining to complete registration of a first rank charge over the Xiaohuangshan Mine (including but not limited to the mining licenses) within 30 Business Days upon the payment of the prepayment of the resource tax.

On 19 August 2020, the Company received the first special drawing from ICA under the Supplemental Agreement. As at the date of this announcement, the Company is in the process of fulfilling the conditions (a) and (e) stated above.

The Loan Facility is proposed to ease the Group's liquidity challenge and to facilitate the restructuring of the Company. The Company expects that the Loan Facility can fully cover its financial needs.

(5) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Pursuant to the Placing Agreement dated 18 May 2018 entered into between the Company as the issuer and SBI as the Placing Agent, SBI has conditionally agreed to place, on a best efforts basis, up to 2,000,000,000 Placing Shares of nominal value of HK\$0.01 each at the placing price of HK\$0.129 per Placing Share to not less than six Placees who are independent of and not connected with the Group and independent of and not acting in concert with Up Energy Group. Further announcements will be made in relation to the proposed placing of new Shares.

The details of the principal terms of the Placing Agreement are summarised as follows:

Principal terms of the Placing Agreement

Date:	18 May 2018
Parties:	the Company; and SBI as Placing Agent
Placing Shares:	2,000,000,000
Placing price:	HK\$0.129
Placees:	not less than six (6) professional and institutional investors or other investors procured by SBI, who shall be independent of and not connected with the Company and its subsidiaries and independent of and not acting in concert with Up Energy Group, to subscribe for the Placing Shares on a best efforts basis
Placing commission:	5% of the aggregate amount equal to the placing price multiplied by the actual number of Placing Shares successfully placed by the Placing Agent
Conditions precedent:	(a) where necessary, the Shareholders and the board of directors of the Company having approved the Placing Agreement and other transactions contemplated under the Placing Agreement (including, without limitation to, allotment and issue of the Placing Shares) at a general meeting of the Company or at the board meeting of the Company to be convened in accordance with the Listing Rules; (b) the Capital Reduction having become effective;

- (c) the Listing Committee having granted or agreed to grant (subject to allotment and/or despatch of certificates for the Placing Shares) the approval for listing of, and permission to deal in, the Placing Shares either unconditionally or subject to such conditions as may be accepted by the Company;
- (d) the Stock Exchange having granted its conditional or unconditional approval to allow for the Company to proceed with the resumption of trading in the Shares on the Stock Exchange in principle and all conditions attached to such approval or decision (if any) having been fulfilled or waived by the Stock Exchange;
- (e) the petition brought by Credit Suisse AG, Singapore Branch to wind up the Company in the Companies Winding-up Proceedings No. 183 of 2016 having been stayed and/or dismissed and an order to that effect having been made by and filed at the Bermuda Court;
- (f) the petition brought by Satinu Markets Limited (previously known as HEC Securities Limited) to wind up the Company in the Companies Winding-up Proceedings No. 91 of 2016 (HCCW 91/2016) having been stayed and/or dismissed and an order to that effect having been made by and filed at the Hong Kong Court;
- (g) in compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to completion of the Placing;
- (h) Creditors Scheme having been approved by the Bermuda Court and the Hong Kong Court and under which, all the financial liabilities of the Company or at the minimum, all the outstanding convertible bonds of the Company, will be converted into the Shares at HK\$0.129 per share;
- (i) completion of the Placing at the same time as or immediately after the approval of the Creditors Scheme; and

- (j) any other approval, consent and/or waiver as may be required by any relevant courts, governments, regulatory authorities or relevant third parties and applicable laws, rules and/or regulations for the Placing and other transactions contemplated under the Placing Agreement shall have been obtained (if required).

As of the date of this announcement, the Placing Agreement remains valid and SBI confirms that they are ready to proceed with the Placing Agreement, subject to the conditions precedent.

The Placing Shares will rank *pari passu* in all respects with the Shares on the date of the issuing and allotment of the Placing Shares.

Assuming that all the Placing Shares are fully placed, the estimated net proceeds from the Placing will amount to approximately HK\$0.2 billion. The Company intends to utilise the net proceeds of the Placing as an alternative funding for the Company to ease the Group's liquidity challenge and to facilitate the restructuring of the Company.

Placing Specific Mandate

The placing of new shares is subject to the Shareholders' approval. The Company proposes to seek the grant of the Placing Specific Mandate from the Shareholders at the SGM for the issuing and allotment of the Placing Shares.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fundraising activities in the past 12 months immediately preceding the date of this announcement.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets forth the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after issuing and allotment of Scheme Shares (assuming no contingent claims admitted under the Scheme); (iii) immediately after issuing and allotment of Scheme Shares (assuming all contingent claims admitted under the Scheme); (iv) immediately after issuing and allotment of Scheme Shares and Bonus Shares (assuming all contingent claims admitted under the Scheme); and (v) immediately after issuing and allotment of Scheme Shares and Bonus Shares and the completion of placing of new Shares (assuming all contingent claims admitted under the Scheme):

Shareholders	As at the date of this announcement		Immediately after issuing and allotment of Scheme Shares (assuming no contingent claims admitted under the Scheme)		Immediately after issuing and allotment of Scheme Shares (assuming all contingent claims admitted under the Scheme)		Immediately after issuing and allotment of Scheme Shares and Bonus Shares (assuming all contingent claims admitted under the Scheme)		Immediately after issuing and allotment of Scheme Shares and Bonus Shares and the completion of placing of new Shares (assuming all contingent claims admitted under the Scheme)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Creditors										
Up Energy Group and parties acting in concert with it (including the receiver and a Director) (Note 1)	1,377,073,492	30.34	19,805,644,457	50.32	19,805,644,457	38.73	19,805,644,457	38.29	19,805,644,457	36.87
Hao Tian Group (Note 2)	371,500,000	8.19	371,500,000	0.94	5,797,856,590	11.34	5,797,856,590	11.21	5,797,856,590	10.79
Exploratory Capital Limited (Note 3)	300,000,000	6.61	311,248,063	0.79	311,248,063	0.61	311,248,063	0.60	311,248,063	0.58
Bank of Communications Trustee Limited (Note 4)	62,134,000	1.37	64,808,419	0.16	64,808,419	0.13	64,808,419	0.13	64,808,419	0.12
Asia Light Enterprises Limited (Note 5)	20,000,000	0.44	402,264,446	1.02	402,264,446	0.79	402,264,446	0.78	402,264,446	0.75
Ms. Ma Hiu Ngai (Note 6)	2,000,000	0.04	59,270,310	0.15	59,270,310	0.12	59,270,310	0.11	59,270,310	0.11
Capital Sunlight Limited (Note 7)	1,556,425	0.03	4,533,472,733	11.52	4,533,472,733	8.87	4,533,472,733	8.77	4,533,472,733	8.44
Holders of Bonus Shares (Note 8 and 9)	—	—	—	—	—	—	581,395,350	1.12	581,395,350	1.08
Other Directors (except a Director who is acting in concert with Up Energy Group) (Note 10)	24,100,000	0.53	42,017,252	0.11	42,017,252	0.08	42,017,252	0.08	42,017,252	0.08
Other Creditors (Note 11)	—	—	11,391,474,838	28.94	17,742,153,492	34.69	17,742,153,492	34.30	17,742,153,492	33.03
Placees	—	—	—	—	—	—	—	—	2,000,000,000	3.72
Other public Shareholders	2,380,151,494	52.44	2,380,151,494	6.05	2,380,151,494	4.65	2,380,151,494	4.60	2,380,151,494	4.43
Total	4,538,515,411	100.00	39,361,852,012	100.00	51,138,887,256	100.00	51,720,282,606	100.00	53,720,282,606	100.00

* The percentages above are subject to rounding error.

Note:

- Messrs Lai Kar Yan, Yeung Lui Ming and Ho Kwok Leung Glen, all of Deloitte Touche Tohmatsu, have been appointed as joint and several receivers over, amongst others, 1,331,051,890 issued shares of the Company and the Convertible Notes issued by the Company in the face value of HK\$2,189,250,000 (collectively known as the “**Charged Assets**”) by China Minsheng Bank Corp. Ltd. Hong Kong Branch acting in its capacity as a secured lender with first fixed charge over the Charged Assets. Mr. Wang Chuan, a Director of the Company, is the brother of Ms. Wang Jue, who is one of the beneficiaries of the J&J Trust which indirectly holds 100% interest in Up Energy Group. Mr. Wang Chuan is not a shareholder of the Company but is a creditor of the Company under the Scheme claiming for a sum of HK\$721,966.67 and shall have the same entitlement as other Creditors. Up Energy Group and parties acting in concert with it will be required to abstain from voting on the relevant resolutions relating to the Creditors’ Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.

Set out below is a breakdown of the shareholding of Up Energy Group and parties acting in concert with it:

Up Energy Group and parties acting in concert with it	As at the date of this announcement		Immediately after issuing and allotment of Scheme Shares (assuming no contingent claims admitted under the Scheme)		Immediately after issuing and allotment of Scheme Shares (assuming all contingent claims admitted under the Scheme)		Immediately after issuing and allotment of Scheme Shares and Bonus Shares (assuming all contingent claims admitted under the Scheme)		Immediately after issuing and allotment of Scheme Shares and Bonus Shares and the completion of placing of new Shares (assuming all contingent claims admitted under the Scheme)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Up Energy Group	1,377,073,492	30.34	19,800,047,816	50.30	19,800,047,816	38.72	19,800,047,816	38.28	19,800,047,816	36.86
Mr. Lai Kar Yan	1,331,051,890	29.33	18,949,265,950	48.14	18,949,265,950	37.05	18,949,265,950	36.64	18,949,265,950	35.27
Mr. Yeung Lui Ming	1,331,051,890	29.33	18,949,265,950	48.14	18,949,265,950	37.05	18,949,265,950	36.64	18,949,265,950	35.27
Mr. Ho Kwok Leung Glen	1,331,051,890	29.33	18,949,265,950	48.14	18,949,265,950	37.05	18,949,265,950	36.64	18,949,265,950	35.27
Mr. Wang Chuan	—	—	5,596,641.00	0.01	5,596,641.00	0.01	5,596,641.00	0.01	5,596,641.00	0.01

* The percentages above are subject to rounding error.

- Hao Tian Group is an ordinary shareholder of the Company interested in 371,500,000 Shares and is also a creditor of the Company under the Scheme with a contingent claim of HK\$700,000,000. As a Creditor Shareholder, Hao Tian Group will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.
- Exploratory Capital Limited is an ordinary shareholder of the Company interested in 300,000,000 Shares and is also a creditor of the Company under the Scheme with a claim of HK\$1,451,000. As a Creditor Shareholder, Exploratory Capital Limited will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.
- Bank of Communications Trustee Limited is an ordinary shareholder of the Company interested in 62,134,000 Shares and is also a creditor of the Company under the Scheme with a claim of HK\$345,000. As a Creditor Shareholder, Bank of Communications Trustee Limited will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.
- Asia Light Enterprises Limited is an ordinary shareholder of the Company interested in 20,000,000 Shares and is also a creditor of the Company under the Scheme with a claim of HK\$49,312,113.53. As a Creditor Shareholder, Asia Light Enterprises Limited will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.
- Mr. Pan Li Hui, the spouse of Ms. Ma Hiu Ngai, is interested in 2,000,000 Shares. Ms. Ma Hiu Ngai therefore is deemed to be interested in the relevant Shares by virtue of the SFO and is also a creditor of the Company under the Scheme with a claim of HK\$7,387,869.91. Ms. Ma Hiu Ngai, as a Creditor Shareholder, and Mr. Pan Li Hui will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.
- Capital Sunlight Limited is an ordinary shareholder of the Company interested in 1,556,425 Shares and is also a creditor of the Company under the Scheme with a claim of HK\$584,617,203.68. As a Creditor Shareholder, Capital Sunlight Limited will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.

8. Pursuant to the Loan Facility Agreement and the Deed, Bonus Shares amounted to approximately HK\$2.33 million which are equivalent to 232,558,140 Shares would be issued conditionally to ICA.
9. Pursuant to the Service Agreement entered with Kaisun Consulting (a subsidiary of Kaisun Holdings Limited) dated 8 August 2018, Bonus Shares amounted to approximately HK\$3.49 million which are equivalent to 348,837,210 Shares would be issued to Kaisun Consulting upon fulfilment of agreed conditions.
10. Up to the date of this announcement, the total amounts respectively due to Mr. Zhang Li, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng are illustrated as follows:

	Approximate amount due (HK\$)
Mr. Zhang Li	1,016,667
Mr. Zheng Yuan	453,467
Mr. Li Bao Guo	317,665
Mr. Liu Yongshun	317,665
Mr. Wu Yanfeng	205,861
Total	2,311,325

Under the Scheme, Mr. Zhang Li, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng shall have the same entitlement as other Creditors. Pursuant to the terms of the Scheme, one Scheme Share will be allotted and issued for every HK\$0.129 of the Admitted Claims. Based on the available books and records of the Company, it is expected that the entitlement of Mr. Zhang Li, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng under the Scheme respectively are as follows:

	Value of Scheme Shares to be issued (HK\$)	Issue Price (HK\$)	Number of Scheme Shares to be issued
Mr. Zhang Li	1,016,667	0.129	7,881,137
Mr. Zheng Yuan	453,467	0.129	3,515,246
Mr. Li Bao Guo	317,665	0.129	2,462,522
Mr. Liu Yongshun	317,665	0.129	2,462,522
Mr. Wu Yanfeng	205,861	0.129	1,595,825
Total	3,033,292		17,917,252

As at the date of this announcement, Ms. Chen Wan, the wife of Mr. Zhang Li, is interested in 24,100,000 Shares, representing approximately 0.53% of the total issued share capital of the Company. Mr. Zhang Li therefore is taken to be interested in the relevant Shares by virtue of the SFO. Mr. Zhang Li, as a Creditor Shareholder, and Ms. Chen Wan will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.

11. Other Creditors are Creditors excluding Up Energy Group and parties acting in concert with it (including Deloitte Touche Tohmatsu as receiver and a Director), Hao Tian Group, Exploratory Capital Limited, Bank of Communications Trustee Limited, Asia Light Enterprises Limited, Ms. Ma Hiu Ngai, Capital Sunlight Limited, holders of Bonus Shares and other Directors (except a Director who is acting in concert with Up Energy Group).

BACKGROUND TO AND REASONS FOR THE CREDITORS' SCHEME

The Company

The Company was incorporated in Bermuda with limited liability on 30 October 1992. The principal activities of the Group were the mining of coking coal and the production and sale of raw coking coal, clean coking coal, coking and chemical products.

Winding up petition and appointment of JPLs

On 29 March 2016, Satinu Markets Limited (previously known as HEC Securities Limited) presented a petition in the Hong Kong Court under HCCW 91 of 2016 to wind up the Company.

On 6 May 2016, Credit Suisse AG, Singapore Branch presented the petition in the Bermuda Court to wind up the Company under 2016 No. 183.

The JPLs were appointed pursuant to the order of the Bermuda Court dated 7 October 2016 and amended on 28 October 2016 and were authorised under the laws of Bermuda to, amongst other things, consult with the Company in respect of, and review, on an ongoing basis, the Company's restructuring proposal including with respect to the necessary steps which need to be taken, and conditions to be met, in order for the restructuring proposal to be successfully implemented and to consider and consent to the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Bermuda Companies Act prior to any applications being made to the Bermuda Court to proceed with the scheme. The JPLs were granted further powers pursuant to the Order of the Bermuda Court dated 28 April 2017.

The appointment of the JPLs was recognised by the Hong Kong Court pursuant to the Order granted by the Honourable Mr. Justice Harris dated 16 August 2017 in HCMP 1570 of 2017.

Listing status of the Company

The Shares are listed on the Main Board with stock code 307. The Shares have been listed on the Main Board since 2 December 1992. Trading in the Shares on the Main Board has been suspended since 30 June 2016.

On 18 October 2016, the Company was placed into the first delisting stage under Practice Note 17 to the Listing Rules with the Resumption Conditions. The Resumption Conditions are as follows:

- (i) Demonstrate the Company has sufficient level of operation or assets of sufficient value as required under Rule 13.24 of the Listing Rules;
- (ii) Publish all outstanding financial results and address audit qualification (if any); and
- (iii) Having the winding-up petitions against the Company (and its subsidiaries) withdrawn or dismissed and the JPLs discharges.

By a letter dated 19 April 2017 issued by the Stock Exchange, the Stock Exchange informed the Company that the Company was placed in the second stage of delisting and that the Company must submit a viable resumption proposal at least 10 Business Days before the second delisting stage expires, i.e. 29 September 2017.

Although a draft resumption proposal was submitted to the Stock Exchange on 29 September 2017, which was subsequently modified on 9 November 2017, the Listing Department of the Stock Exchange informed the Company that the draft resumption proposal was not viable and the Company was placed in the third stage of delisting on 17 November 2017.

On 28 November 2017, the Company applied to the Listing Committee of the Stock Exchange and subsequently applied to the Listing (Review) Committee of the Stock Exchange for a review of the decision. However, the decision was upheld and the Company was placed in the third stage of delisting stage by a letter dated 31 August 2018 issued by the Stock Exchange, that the Company must submit a viable resumption proposal at least 10 Business Days before the third delisting stage expired, i.e. 25 February 2019.

On 25 February 2019, a fresh resumption proposal of the Company was submitted to the Stock Exchange.

By a letter dated 20 March 2020 issued by the Stock Exchange, the Stock Exchange informed the Company that the resumption proposal was not viable and decided to cancel the listing of the Shares on the Main Board under Practice Note 17 to the Listing Rules with effect from 6 April 2020.

On 30 March 2020, after considering legal and professional advice, the Company lodged a written request to the Listing Committee of the Stock Exchange pursuant to Chapter 2B of the Listing Rules for reviewing the decision to cancel the listing of the Shares on the Main Board. The Listing (Review) Committee accepted the review application and the review hearing has been scheduled for 15 September 2020.

Proposed Restructuring of the Group

The Proposed Restructuring involves, amongst other things, the Capital Restructuring, the debt restructuring pursuant to the Scheme, the loan facilities from financiers and/or lenders, and the placing of new Shares. These transactions are summarised below.

(a) Capital Restructuring

Under the Capital Restructuring, the Company's share capital will be restructured by way of Capital Reduction, Capital Cancellation, Reduction in Authorised Share Capital and Increase in Authorised Shares, and issuing and allotment of New Shares.

(i) Capital Reduction

The value of every Share shall be reduced from HK\$0.20 to HK\$0.01 by the reduction of HK\$0.19 value for each Share.

(ii) *Capital Cancellation*

Immediately after the Capital Reduction becoming effective, the existing unissued share capital of the Company of HK\$194,614,845.89 (including HK\$40,000,000 of the unissued convertible non-voting preference shares at HK\$0.02 each) will be cancelled in its entirety.

(iii) *Reduction in Authorised Share Capital and Increase in Authorised Shares*

Immediately after the Capital Reduction and Capital Cancellation becoming effective, the authorised share capital of the Company is proposed to reduce from HK\$4,040,000,000 divided into 22,000,000,000 Shares to HK\$2,200,000,000 divided into 220,000,000,000 Shares with a nominal value of HK\$0.01 per share.

(iv) *Issuing and allotment of New Shares*

Up to 46,600,371,845 Scheme Shares and 581,395,350 Bonus Shares with a nominal value of HK\$0.01 each will be issued and allotted.

The proposed Capital Restructuring will result in the change of the issued share capital of the Company in the manner explained in the following table:

Issued share capital of the Company	
Before Capital Restructuring	4,538,515,411 issued shares × HK\$0.20 each = HK\$907,703,082.20
After Capital Restructuring	<u>Capital Reduction</u> 4,538,515,411 issued shares × HK\$0.01 each = HK\$45,385,154.11
	<u>Issuing and allotment of New Shares</u> (46,600,371,845 Scheme Shares + 581,395,350 Bonus Shares) × HK\$0.01 each = HK\$471,817,671.95
	<u>Total</u> HK\$45,385,154.11 + HK\$471,817,671.95 = HK\$517,202,826.06

These figures may vary depending on the final adjudication of Admitted Claims and the valuation of any Securities Interest held by Creditors, if not surrendered in advance of adjudication.

(b) Debt restructuring pursuant to the Scheme

Based on the information and documents available to the JPLs up to the date of this announcement, it was estimated that the total indebtedness owed by the Company to its Creditors amounts to approximately HK\$6,011 million (excluding Preferential Claim(s) but without excluding the value of any Securities Interest pending valuation of the same by the Scheme Administrator). Under the Scheme, upon the Effective Date, the Scheme Administrator will allot the Scheme Shares to the Creditors with Admitted Claims based on their Admitted Claims and all the liabilities of the Company due to the Creditors will be compromised and discharged in full by arrangements contemplated under the Scheme.

From the Effective Date, each of the Creditors discharges and waives all its Claims in consideration for the right to participate with each of the other Creditors in the issuing and allotment of Scheme Shares pursuant to the terms of the Scheme.

(c) Facility from Financiers and/or Lenders

The JPLs have liaised with financiers and/or lenders for loan facilities for the operational costs and general working capital of the Group.

On 6 March 2018, the Loan Facility Agreement, which is subject to the approval being granted by the Bermuda Court and/or the Hong Kong Court (where applicable), was entered into between ICA being the lender, the Company and the JPLs on behalf of the Company. Subsequently on 14 January 2019, ICA, the Company and the JPLs on behalf of the Company entered into the Deed.

Pursuant to the Loan Facility Agreement and the Deed, ICA agreed to provide a loan facility of up to HK\$800 million to the Company for a period of 3 years upon the approval of the Loan Facility Agreement being granted by the relevant Court(s) and fulfilments of the conditions precedent. Subsequently on 1 February 2019, the Loan Facility Agreement and the Deed were approved and sanctioned by the Bermuda Court. As at the date of this announcement, conditions precedent of the Loan Facility Agreement and the Deed have not yet been fully satisfied. However, on 18 August 2020, ICA, the Company and the JPLs on behalf of the Company entered into the Supplemental Agreement which, *inter alia*, exempt the Company from satisfying of the certain of those conditions precedent prior to the drawdown from the Loan Facility and the Company obtained first special drawing from ICA on 19 August 2020. It is considered that the availability of the Loan Facility would enable the Company to ease the Group's liquidity challenges and facilitate the restructuring of the Company. For the avoidance of doubt, the Loan Facility is subject to time extension.

Pursuant to the Service Agreement dated 8 August 2018 entered into between the Company and Kaisun Consulting, the Company engaged Kaisun Consulting as a coordinator and introducer of financing. Upon Kaisun Consulting's successful introduction of funder(s) to the Company and that the Company enters into any formal and legally binding agreements and/or other contractual arrangements with the funder(s), the funder(s) will provide to the Group in total not less than HK\$400 million or such amount deemed sufficient to resume the Company's business.

(d) *Placing of new Shares under specific mandate*

On 18 May 2018, a Placing Agreement has been entered into between the Placing Agent, namely SBI, and the Company. Pursuant to the Placing Agreement, SBI has agreed, among others, to procure subscriptions for 2,000,000,000 Placing Shares of nominal value of HK\$0.01 each at the placing price HK\$0.129 per Placing Share on a best efforts basis during the placing period, i.e. commencing upon the execution of the Placing Agreement and terminating at three months from the date of the general meeting of the Shareholders for approving the Placing Agreement and the transactions contemplated hereunder (or such later date as may be agreed between SBI and the Company), unless terminated earlier in writing pursuant to the terms of the Placing Agreement.

(e) *The Company expected to carry on as going concern after Proposed Restructuring*

The main reasons which led to the insolvency of the Company were the general and prolonged downturn of the coal and coking industry in the PRC since 2011, over-investment and/or unhealthy capital structures to finance the medium-to-long term mining projects by the utilisation of short-to-medium term debt.

The core business of the Company has been the development of three coal mines together with the auxiliary facilities (i.e. Coking Plant, Washing Plant and Water Recycling Plant) in Xinjiang, the PRC. All these three mines and the facilities were in the development stage at the material times and only the development of the Coking Plant had been partially completed and had started production since around late 2013. The Company had further acquired two mines located in the southern region of Xinjiang, the PRC, namely Baicheng Mine, and in Alberta, Canada, namely GCC Mine respectively during 2013 to 2015.

The Company relied on short-to-medium term financing to finance the acquisitions of these mining assets as well as the subsequent developments of these mining assets. However, the coal and coke prices had fallen since 2011 for around 5 years till around 2016. Due to the downturn of the coal and coke market during 2011 to early 2016, the Company faced difficulties in financing its development of its mining assets since or around 2015. At the same time, its only major operations, the coking plant and trading of coal, had also operated at a loss due to the then market conditions. The Company was unable to support its development of its mining assets and the repayment of its debts when they became due.

In early 2017, the Baicheng Mine was listed as one of the 109 mines in Xinjiang to be closed down by Xinjiang Government due to the coal mines having annual capacity below 300,000 metric tonnes. The Baicheng MLR had issued notices of mining licence cancellation to UE Baicheng Mining, an indirect wholly-owned subsidiary of UE Mining which owns and operates the Baicheng Mine, urging UE Baicheng Mining to proceed with the corresponding cancellation procedure with the Baicheng MLR, in mid-2017. Subsequently, the mining licence of the Baicheng Mine was revoked by the Baicheng MLR. UE Baicheng Mining will continue to use its best endeavour to protect its legal rights according to the relevant laws and legislations available as long as it is practical to do so.

On 3 February 2017, all assets of GCC and the relevant related companies of GCC, including but not limited to the GCC Mine, were put into receivership by China Minsheng Banking Corp. Ltd and Deloitte Restructuring Inc. in Canada was appointed as receiver and manager pursuant to an Order granted on the same date by the Court of Queen's Bench of Alberta, Canada. Deloitte Restructuring Inc. has advertised for Invitations for offers to purchase the business and/or assets of GCC and related companies on 10 July 2017. According to the information available, the disposal of the assets of GCC has been completed in 2018 and there will not be any surplus payable back to the shareholder of GCC.

However, the elimination of excess capacity and the consolidation of the coal and coke industry in the PRC has led to a substantial improvement of the coal and coke industry since or around 2016. The price of both coal and coke has started to recover since or around 2016 and the coal and coke prices have been maintained at a relatively high level. The demand for coal and coke has also been strong in Xinjiang since 2016.

Given the limited number of coal coking plants in the northern region of Xinjiang Province, the PRC still in operation after the PRC government's implementation of stringent consolidation, elimination of excess capacity and environmental protection policy for coal coking plants, a barrier of entry has been created. Taking into account in particular (i) the entry barrier; (ii) the high demand of coke in the Xinjiang region and other close-by provinces; (iii) the relatively cheaper coking coal resources in Xinjiang area than other nearby provinces; and (iv) UE Coking has been equipped with more advanced and the latest facilities comparing with the other coking plants in Xinjiang province, UE Coking is expected to be able to achieve outstanding results.

Status of UE Coking

The Coking Plant is located in Fukang. The principal activities of UE Coking are the production and sale of cokes and chemical products. From February 2017 to September 2017, production of UE Coking had ceased due to the tightening of environmental protection policies and for the upgrading and completion of various environmental and other auxiliary facilities. In November 2017, commercial production resumed and the operation of the Coking Plant has remained stable since then.

Due to its cessation of operations from February 2017 to September 2017 and the adverse market conditions, UE Coking had undergone a debt restructuring and the same was completed. The majority of the liabilities of UE Coking had been settled in discount by the funds, which were secured by the court appointed administrator in PRC, from Taihua.

As at the date of this announcement, UE Coking is still in negotiation with Taihua in respect of the repayment plan and a preliminary consent has been reached between the Company and Taihua where the repayment to Taihua will either be settled by (i) issue of new shares of UE Coking which shall be not more than an amount resulting in the Company losing the controlling interest of UE Coking; and/or (ii) by way of cash.

In addition, as UE Coking has a relatively tight cash flow subsequent to the resumption of the commercial production, Taihua had also been giving support to the funding needed for the normal operation of UE Coking, *inter alia*, the prepayment of raw materials. Under the industry practice, the purchase of coal requires the prepayment from the customer a month

in advance due to the high demand of coking coals in Xinjiang region. In the circumstances, Taihua sourced coals from its external suppliers and sold to UE Coking in order to provide a credit relief to UE Coking. In addition, UE Coking had been under the debt restructuring and could not engage in its customers directly without going through bureaucratic procedures. The state-owned entities were not willing to enter into business relationships with UE Coking as it was under debt restructuring. In such circumstances, Taihua acted as the “distributor” of the products of UE Coking by purchasing the products from UE Coking and then sell to the customers. Nevertheless, the facilitation by Taihua could assist UE Coking to stabilise its operation so as to enhance the ability of the repayment of UE Coking to Taihua. Besides, Taihua intends to create synergy between UE Coking and Taihua itself to dominate the market in the region nearby after the resumption of the normal business of UE Coking, as UE Coking is a sizeable coking plant with latest technology and facilities in Xinjiang.

In any event, since the resumption of the commercial production of UE Coking, the Coking Plant has been generating an average monthly net profit of approximately RMB2.8 million. In the first year after the resumption of commercial production, UE Coking had relied heavily on the support of Taihua in respect of the purchase of the coals and the sales of production due to the factors mentioned in the above paragraphs. However, subsequent to the completion of the debt restructuring and having considered the production and cash flow of UE Coking became more stable and favourable, UE Coking sourced its raw materials directly from four other suppliers, excluding Taihua, and established business relationship with other customers directly. Once the Company obtained funding from the Loan Facility Agreement or Placing Agreement or other means to work up the repayment plan with Taihua and ease the working capital issue, UE Coking could be operated and self-financed independently.

Status of Xiaohuangshan Mine

Beside the coking coal plant, the Company’s focus will be on putting Xiaohuangshan Mine into full production. The Company has further secured appropriate and sufficient funding to complete the remaining construction of the Xiaohuangshan Mine. Thus, the Company should be in a much better position after the successful implementation of the Proposed Restructuring to face any adverse market environment, especially once the Xiaohuangshan Mine is being put into a permanent stage of production.

The Company considers that all the major obstacles for resuming the construction of the Xiaohuangshan Mine have been cleared, except for obtaining the hard copy of the renewed mining license after resolving the issue of implementation of new policy of Resources Tax.

As informed by the Xinjiang Government, a new policy has been imposed on all the mining companies in Xinjiang and a “trial run” has been adopted in implementing the policy of Resources Tax. Under the new policy, all the mining companies in Xinjiang are required to prepay the Resources Tax prior to the extraction and the sales of the coals when they obtain or renew mining licenses. The amount of the Resources Tax is calculated on the basis of a fixed scale over the coal resources of the mine assessed.

The management of UE (Fukang) Mining was in active discussion with the Xinjiang Government and relevant authorities as to whether UE (Fukang) Mining should be subject to or be exempted from the “trial run” of the new policy for the prepayment of the Resources

Tax. Concurrently, the management of UE (Fukang) Mining was in discussion with a panel valuer in order to commence the evaluation of the coal resources of the Xiaohuangshan Mine and to assess the amount of the prepayment of Resources Tax, if indeed required.

After various discussions with the management of UE (Fukang) Mining and the relevant authorities in Xinjiang, the management of UE (Fukang) Mining is of the view that the Xinjiang Government and relevant authorities are unlikely to exempt UE (Fukang) Mining from the trial run of the new policy for the prepayment of Resources Tax.

The amount of Resources Tax payable by UE (Fukang) Mining is calculated based on the marketable coal reserves of the mine, which are required to be first assessed by a panel valuer approved by the authorities and further approved by the authorities. A panel valuer has been engaged in this regard and UE (Fukang) Mining is waiting the result so as to ascertain the Resources Tax amount payable.

Meanwhile, based on the discussions between the management of UE (Fukang) Mining and the relevant authorities, it is provisionally estimated that the amount of the prepayment of the partial Resources Tax would be approximately RMB130 million. Once the prepayment amount of the partial Resources Tax is confirmed after the completion of the valuation, UE (Fukang) Mining will subsequently arrange its prepayment and resume the construction of the Xiaohuangshan Mine.

There are various financing opportunities and options available to the Group to finance the future payment of the prepayment of the Resources Tax.

Pursuant to the Loan Facility Agreement, the Deed and the Supplemental Agreement, the Company may utilise the Loan Facility to settle the Resources Tax. However, as mentioned under the section “Loan Facility Agreement” above, ICA requires the Company to fulfil certain conditions as pre-requisite for the Loan Facility drawdown, such as arrange meeting(s) in relation to the Xiaohuangshan Mine for ICA’s representative to meet with the relevant government authorities in Xinjiang, however severe travel restrictions were imposed by both PRC and Hong Kong governments due to the current COVID-19 pandemic. As such, the Company is closely monitoring the development of the situation and attempts to arrange the meetings immediately once the travel restrictions are eased.

Alternatively, the Company has entered into the Placing Agreement and subject to the approval and the timing of the payment, the Group may apply the fund raised from the placing to settle the Resources Tax upon the Stock Exchange having approved the resumption of the trading of the Shares.

Furthermore, the Company is exploring for other financing options including but not limited to request for deposit or financing from the contractor.

While the management of UE (Fukang) Mining is in discussion with the authorities in respect of the prepayment of Resources Tax, the management also took this opportunity to seek the approval of the authorities to allow UE (Fukang) Mining to amend the design of the development plan of the exploration of the upper coal seams in a way which would be more costs efficient and potentially yield higher output. This new development plan has been

approved by the authorities. Although the mining license was expired on 30 December 2019, the Company has already applied for renewal for a period not less than 2 years and such application is currently in the process.

Project Services Agreement

Reference is made to the announcement of the Company dated 12 September 2018, in relation to, *inter alia*, the Company entering into of (i) the EPC Master Construction Project Framework on 20 August 2018; and (ii) the Project Service Agreement with NPCE on 31 August 2018, pursuant to which NPCE agreed to provide management services on the construction of Xiaohuangshan Mine, Quanshuigou Mine, Shizhuanggou Mine, the second coking oven of the Coking Plant and other auxiliary plants. The Company is of the view that the engagement of NPCE will facilitate the resumption of the construction and development of the Company's principal assets, including in the first instance the Xiaohuangshan Mine, and is, therefore, in the interests of the Shareholders, Creditors and the Company as a whole. The principal terms of the Project Services Agreement are as follows:

Date:	31 August 2018
Parties:	NPCE (as the Contractor); and The Company
Scope of work:	NPCE to provide management services to the Company, including but not limited to resource management, sourcing sub-contractor(s) for the construction of each project, and project finance management
Projects:	Project 1: construction of the remaining part of the Upper Seam and the construction of the Lower Seam; Project 2: construction of Quanshuigou Mine; Project 3: construction of Shizhuanggou Mine; Project 4: construction of second coking oven; Project 5: construction of Washing Plant; and Project 6: construction of Water Recycling Plant
Management fee:	The Company shall pay NPCE 3.5% of the amount agreed under each of the sub-contractors successfully procured, 5% of which is payable within 28 days after the sub-contracting agreement being effective and the remaining 95% of which is payable based on the progress of the relevant project.

Construction fee: The Company shall prepay no more than 10% of the sub-contracting agreement to NPCE before the commencement of the relevant project. Payment to the sub-contractor shall be based on the progress of the project; nevertheless, no more than 50% of the total project cost shall be paid prior to the completion of the relevant project. The remaining amount shall be payable to the sub-contractor at the 1st anniversary of the inspection of each project upon completion.

For avoidance of doubts, as of the date of this announcement, the EPC Master Construction Project Framework and the Project Service Agreement remains valid and will be carried on once the Company commence the mine development pursuant to the terms and conditions.

Xiaohuangshan Mine Construction Agreement and the Xiaohuangshan Mine Supplemental Agreement

On 6 September 2018, NPCE has procured, and UE (Fukang) Mining has entered into, the Xiaohuangshan Mine Construction Agreement and the Xiaohuangshan Mine Supplemental Agreement with a sub-contractor, WZJF, for the construction of the Xiaohuangshan Mine. The engagement of WZJF is expected to provide adequate working capital as required for the construction of the remaining part of the Upper Seam in return for repayment to WZJF in the future as UE (Fukang) Mining will sell its coal resources and realise profit.

The management of the Company and the JPLs are of the view that the construction of the Xiaohuangshan Mine can be resumed without heavy investment and interest cost to the Company under the Xiaohuangshan Mine Construction Agreement and its supplemental agreement, consequently, the burden on the Company's financial resources can be minimised in the short term. Accordingly, it is believed that the Xiaohuangshan Mine Construction Agreement is in the interests of the Shareholders, Creditors and the Company as a whole. The principal terms of the Xiaohuangshan Mine Construction Agreement are as follows:

Date: 6 September 2018

Parties: WZJF (as Sub-contractor); and
UE (Fukang) Mining

Scope of work: The construction of the remaining part of the Upper Seam and the construction of the Lower Seam, including but not limited to installation, maintenance and removal of equipment and devices, mining, device un-installment, closure of mine entrance.

Construction fee: The construction cost of the remaining part of the Upper Seam will be fully paid by WZJF in advance and will be re-paid when UE (Fukang) Mining generates sales income of the coal resources in the Upper Seam, of which WZJF is entitled to 40%, until the construction cost is fully re-paid.

The construction cost of the Lower Seam shall be payable in 3 instalments, 85% of which shall be paid to WZJF based on the process of construction in monthly arrears; 10% of which shall be paid to WZJF within 30 days after completion of the settlement audit of the construction; the remaining 5% of which shall be paid to WZJF after the expiry of the warranty period of 1 year. The construction cost of the Lower Seam shall be calculated with the assumption of total cost minus 8.2% and 90% of the auxiliary price based on the 2007 coal budget.

Contract period: 30 months

Working schedule: The actual construction work shall commence from the date when NPCE approves the commencement report to be submitted by WZJF

The principal terms of the Xiaohuangshan Mine Supplemental Agreement are as follows:

Date: 6 September 2018

Parties: WZJF (as Sub-contractor); and UE (Fukang) Mining

Scope of work: The construction works include the expansion of the working face, the acquisition, installation and maintenance of the large system equipment, the backstopping in working face, the withdrawal and closure of the mining area upon the exhaustion of the area, and the acquisition, installation and maintenance of the safety equipment and facilities, all in the first stage area.

Construction fee: WZJF would procure funds and inject RMB150 million (or equivalent to approximately HK\$173 million) for settlement of the cost of engineering for shafts and tunnels. The costs will be re-paid when UE (Fukang) Mining generates sales income of the coal resources in the Upper Seam, of which WZJF is entitled to 40%, until the construction cost is fully re-paid.

Contract period: 18 months

Working schedule: The actual construction work shall commence from the date when UE (Fukang) Mining approves the commencement report to be submitted by WZJF.

For avoidance of doubts, as of the date of this announcement, the Xiaohuangshan Mine Construction Agreement and the Xiaohuangshan Mine Supplemental Agreement remain valid and effective. WZJF confirms that they are ready to proceed with the same, once the approval of the resumption of the construction from the local authorities being obtained.

Subject to all relevant restrictions imposed by Xinjiang Government and Hong Kong Government in respect of the coronavirus outbreak being relaxed by October 2020, set out below is an expected timetable showing the key milestones for the construction of the Xiaohuangshan Mine:

Date	Key milestones
Mid-November 2020	Payment of prepayment of Resources Tax amounted to approximately RMB130 million
Mid to Late December 2020	Obtain approval for renewal of mining licence of the Xiaohuangshan Mine
Mid to Late January 2021	Obtain approval for unsealing the shaft of the Xiaohuangshan Mine
Late January 2021	Resumption of construction of the Xiaohuangshan Mine
Mid-February 2021	Extraction of coal from the Upper Seam
1 April 2023	Extraction of coal from the Lower Seam

UE (Fukang) Mining had secured offtake agreements from 3 customers previously which was expired on 31 December 2019. These three offtake agreements have been renewed to 31 December 2020 and a new offtake agreement was entered between a new customer and UE (Fukang) Mining in 2020 with the expiration date on 31 December 2020. The management of UE (Fukang) Mining has been maintaining a friendly relationship with various potential customers. After considering the current demand of the coking coal in Xinjiang, the Company is of the view that, subsequent to the extraction of coal from the Upper Coal Seam of the Xiaohuangshan Mine, there will not be any obstacle in entering offtake agreements with the potential customers.

For avoidance of doubts, as of the date of this announcement, the offtake agreements entered into between UE (Fukang) Mining and the customers remains valid and the Company is confident that renewals of the offtake agreements could be obtained before the end of contract term.

(6) IMPLICATIONS UNDER THE LISTING RULES AND CONNECTED TRANSACTIONS IN RELATION TO THE ISSUING AND ALLOTMENT OF NEW SHARES UNDER SPECIFIC MANDATE

Up Energy Group is a substantial Shareholder and there is an outstanding amount of HK\$2.38 billion in the form of convertible bonds issued by the Company to Up Energy Group arising from the acquisition of the Company in 2010. As at the date of this announcement, Up Energy Group is interested in 1,377,073,492 Shares, representing approximately 30.34% of the total issued share capital of the Company.

Among the Creditors, Mr. Zhang Li is a Director and is deemed to be interested in the Shares. As at the date of this announcement, Ms. Chen Wan, the wife of Mr. Zhang Li, is interested in 24,100,000 Shares, representing approximately 0.53% of the total issued share capital of the Company. Mr. Zhang Li therefore is taken to be interested in the relevant Shares by virtue of the SFO.

Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng are the other Directors who will participate in the Scheme as Creditors.

Under the Scheme, subject to adjudication of claims, Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng shall have the same entitlement as the other Creditors. Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng have confirmed that they will compromise their debts against the Company pursuant to the Scheme and the treatment to be received by them under the Scheme shall be the same as those of the other Creditors.

Accordingly, Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng are connected persons of the Company (collectively, the “**Connected Persons**”) under Chapter 14A of Listing Rules.

Therefore, so far as the issue of New Shares to the Connected Persons under the Creditors’ Scheme are concerned, the Creditors’ Scheme will upon implementation constitute connected transactions of the Company under Chapter 14A of Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements, which the Connected Persons will be required to abstain from voting on the relevant resolutions relating to the Creditors’ Scheme at the SGM.

As at the date of this announcement, save for Up Energy Group, Mr. Zhang Li, Mr. Wang Chuan, Mr. Zheng Yuan, Mr. Li Bao Guo, Mr. Liu Yongshun and Mr. Wu Yanfeng, the other Creditors are independent of and not connected with the Company and its subsidiaries, its connected person(s) and their respective associate(s).

(7) IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL

Application for Whitewash Waiver

Under the Proposed Restructuring, Up Energy Group (the controlling Shareholder) and parties acting in concert with it (including Deloitte Touche Tohmatsu (the appointed receivers to the assets of Up Energy Group)) may increase its existing shareholding of the Company of approximately 30.34% up to a maximum of approximately 50.32% subject to the adjudication of the claims against the Company to be done by the Scheme Administrator under the Scheme. For avoidance of doubt, on 18 April 2018, Messrs Lai Kar Yan, Yeung Lui Ming and Ho Kwok Leung Glen, all of Deloitte Touche Tohmatsu, have been appointed as joint and several receivers over, amongst others, 1,331,051,890 issued Shares and the Convertible Notes issued by the Company in the face value of HK\$2,189,250,000, which are held by Up Energy Group. Mr. Wang Chuan, a Director of the Company, is the brother of Ms. Wang Jue, who is one of the beneficiaries of J&J Trust, which indirectly holds 100% interest in Up Energy Group. Mr. Wang Chuan is

not a shareholder of the Company but is a creditor of the Company under the Scheme claiming for a sum of HK\$721,966.67 and shall have the same entitlement as other Creditors.

Pursuant to Rule 26.1 of the Takeovers Code, immediately upon completion of the proposed issuing and allotment of New Shares under the Scheme, Up Energy Group would be obliged to make a mandatory general offer to the Shareholders for all the issued shares and other securities of the Company not already owned or agreed to be acquired by Up Energy Group and parties acting in concert with it (including Deloitte Touche Tohmatsu as receivers and Mr. Wang Chuan), unless the Executive grant a Whitewash Waiver which is approved by the Independent Shareholders at the SGM and in accordance with the requirements of the Takeovers Code.

In this regard, it is intended that the Proposed Restructuring will be conditional upon the grant of the Whitewash Waiver, and the Whitewash Waiver as well as the Proposed Restructuring having been approved by the Shareholders who are permitted to vote under the Takeovers Code at the SGM and such conditions in relation to the Whitewash Waiver cannot be waived.

If the Whitewash Waiver is granted by the Executive and the resolutions approving the Whitewash Waiver and the transactions contemplated under the Creditors' Scheme are approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the SGM by poll, Up Energy Group will not be required to make a mandatory general offer which would otherwise be required as a result of completion of the issuing and allotment of the New Shares.

If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the transactions contemplated under the Creditors' Scheme will not proceed.

Consent for Special Deal

Among the Shareholders, Exploratory Capital Limited, Bank of Communications Trustee Limited, Mr. Zhang Li, Asia Light Enterprises Limited, Ms. Ma Hiu Ngai and Capital Sunlight Limited are Creditor Shareholders, and Hao Tian Group is a potential Creditor Shareholder.

As at the date of this announcement, Exploratory Capital Limited is interested in 300,000,000 Shares, representing approximately 6.61% of the Shares; Bank of Communications Trustee Limited is interested in 62,134,000 Shares, representing approximately 1.37% of the Shares; Mr. Zhang Li is deemed to be interested in 24,100,000 Shares, representing approximately 0.53% of the Shares; Asia Light Enterprises Limited is interested in 20,000,000 Shares, representing approximately 0.44% of the Shares; Ms. Ma Hiu Ngai is deemed to be interested in 2,000,000 Shares, representing approximately 0.04% of the Shares; Capital Sunlight Limited is interested in 1,556,425 Shares, representing approximately 0.03% of the Shares; and Hao Tian Group is interested in 371,500,000 Shares, representing approximately 8.19% of the Shares.

As at the date of this announcement, the Creditor Shareholders have claims of approximately HK\$1,344 million in aggregate against the Company. The Creditor Shareholders may receive payments under the Creditors' Scheme if they become effective and such payments are not extended to other Shareholders who are not Creditors. As such, the Creditors' Scheme constitute a special deal under Note 5 to Rule 25 of the Takeovers Code and requires the consent of the Executive, provided that the Independent Financial Adviser considers that the terms of the transactions contemplated thereunder are fair and reasonable and the transaction is approved by the Independent Shareholders at the SGM. The Company will apply to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Creditors' Scheme.

The Creditor Shareholders will be required to abstain from voting on the relevant resolutions relating to the Creditors' Scheme, the Whitewash Waiver and the Special Deal to be proposed at the SGM.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, save as disclosed in this announcement, the JPLs and the Directors confirm that:

- (a) none of Up Energy Group or parties acting in concert with it owns or has control or direction over any existing Shares, rights over Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) none of Up Energy Group or parties acting in concert with it has received any irrevocable commitment in relation to voting of the resolutions in respect of the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver or the Special Deal at the SGM;
- (c) there is no outstanding derivative in respect of the securities of the Company which has been entered into by Up Energy Group or parties acting in concert with it;
- (d) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares of Up Energy Group or parties acting in concert with it or the Company and which might be material to the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver or the Special Deal;
- (e) there is no agreement or arrangement to which Up Energy Group or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver or the Special Deal;
- (f) none of Up Energy Group or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) save for the issuing and allotment of New Shares to Up Energy Group and parties acting in concert with it (including Deloitte Touche Tohmatsu as receivers and Mr. Wang Chuan) under the Creditors' Scheme, there is no other consideration,

compensation or benefit in whatever form paid or to be paid by Up Energy Group or parties acting in concert with it to the Company or any party acting in concert with it in connection with the transactions contemplated under the Creditors' Scheme;

- (h) save for the Creditors' Scheme, there is no understanding, arrangement, agreement or special deal between Up Energy Group or parties acting in concert with it on the one hand, and the Company and parties acting in concert with it on the other hand; and
- (i) save for the Special Deal, there is no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) Up Energy Group and parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

As at the date of this announcement, the JPLs and the Directors do not believe that the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver and the Special Deal give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the JPLs and the Directors will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of, amongst others, the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver and the Special Deal. The JPLs and the Directors note that the Executive may not grant the Whitewash Waiver and the Special Deal consent if the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver and the Special Deal do not comply with other applicable rules and regulations.

GENERAL

The Independent Financial Advisor has been engaged to advise the Independent Shareholders as to whether the terms of the (i) the transactions contemplated under the Creditors' Scheme, including the grant of the Specific Mandate for the issuing and allotment of the New Shares; (ii) the Reduction in Authorised Share Capital; (iii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for issuing and allotment of the Placing Shares; (iv) the Whitewash Waiver; and (v) the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned and these are in the interests of the Company and the Shareholders as a whole. The Company has appointed an independent financial adviser, Messis Capital Limited, to advise the Independent Shareholders in this regard.

The SGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the transactions contemplated under the Creditors' Scheme, including the grant of the Specific Mandate for the issuing and allotment of the New Shares; (ii) the Reduction in Authorised Share Capital; (iii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for issuing and allotment of the Placing Shares; (iv) the Whitewash Waiver; and (v) the Special Deal.

Any Shareholder who is interested in the Creditors' Scheme shall abstain from voting on the resolution(s) to approve the (i) the transactions contemplated under the Creditors' Scheme, including the grant of the Specific Mandate for the issuing and allotment of the New Shares; (ii) the Reduction in Authorised Share Capital; (iii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for issuing and allotment of the Placing Shares; (iv) the Whitewash Waiver; and (v) the

Special Deal at the SGM. Save for Up Energy Group and the parties acting in concert with it, Exploratory Capital Limited, Bank of Communications Trustee Limited, Mr. Zhang Li, Ms. Chen Wan, Asia Light Enterprises Limited, Ms. Ma Hiu Ngai, Mr. Pan Li Hui, Capital Sunlight Limited and Hao Tian Group, no other Shareholder is interested in the Creditors' Scheme and will be required to abstain from voting on the resolution(s) at the SGM.

The resolutions in relation to (i) the transactions contemplated under the Creditors' Scheme, including the grant of the Specific Mandate for the issuing and allotment of the New Shares; (ii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for issuing and allotment of the Placing Shares; (iii) the Whitewash Waiver; and (iv) the Special Deal shall be approved by the Independent Shareholders at the SGM by way of poll and the resolution in relation to the proposed Reduction in Authorised Share Capital shall be approved by the Shareholders at the SGM.

A circular containing, among others, (i) further details of the transactions contemplated under the Creditors' Scheme, the Whitewash Waiver and the Special Deal; (ii) further details of the Reduction in Authorised Share Capital; (iii) a letter from the JPLs containing its opinion and recommendations to the Independent Shareholders in respect of the Creditors' Scheme, the Whitewash Waiver and the Special Deal; (iv) a letter of advice from the Independent Financial Adviser to the Independent Shareholders in respect of the Creditors' Scheme, the Whitewash Waiver and the Special Deal; and (vii) a notice convening the SGM, is expected to be despatched to the Shareholders as soon as possible. Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to Shareholders the circular within 21 days from the date of publication of this announcement, that is, on or before 25 September 2020.

DELISTING DECISION OF THE LISTING COMMITTEE

References are made to the Company's announcements dated 31 March 2020, 1 April 2020, 5 May 2020 and 5 August 2020 respectively in which the Listing Committee decided to delist the Company on 6 April 2020 and subsequently the Company lodged a review application against the Listing Committee's decision. The Listing (Review) Committee accepted the review application and a review hearing was scheduled for 15 September 2020.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 30 June 2016. Trading in the Shares will remain suspended until further notice.

The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption. The Company will keep the public informed of the latest development by making further announcements as and when appropriate. Shareholders and potential investors should note that the Scheme, the Capital Restructuring, the Placing, the Whitewash Waiver and the Special Deal are subject to various conditions which may or may not be fulfilled, in particular, whether the Stock Exchange will allow the Scheme and accompanying transactions to proceed. Therefore, such transactions may or may not materialise and proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Admitted Claims”	all Claims against the Company which would be provable in a winding up of the Company under Section 263 of the Companies (Winding Up) Ordinance and Section 234 of the Bermuda Companies Act and which have been admitted by the Scheme Administrator in accordance with the Scheme
“Baicheng MLR”	Ministry of Land and Resources of Baicheng
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Bermuda Court”	the Supreme Court of Bermuda
“Bonus Option(s)”	bonus option(s) provided to ICA by the Company pursuant to the Loan Facility Agreement and the Deed
“Bonus Option Notice”	a written notice to the Company by ICA for exercising the Bonus Option(s)
“Bonus Option Period”	the period beginning on the 366th day following the date of the resumption of trading of the Shares of the Company and ending on the 730th day following the date of resumption of trading of the Shares of the Company
“Bonus Share(s)”	the new Shares proposed to be issued to ICA pursuant to the Loan Facility Agreement and the Deed, and to Kaisun Consulting pursuant to the Service Agreement
“Business Day(s)”	a day (excluding a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time and remaining in effect between 9.00 a.m. and 5.00 p.m. and is not discontinued at or before 12.00 noon) on which banks are generally open for business in Hong Kong
“Capital Cancellation”	the proposed cancellation of the unissued share capital of the Company in its entirety immediately after the Capital Reduction (including HK\$40,000,000 of the unissued convertible non-voting preference shares at HK\$0.02 each)
“Capital Reduction”	the proposed reduction of the nominal value of each Share from HK\$0.20 to HK\$0.01

“Capital Restructuring”	the proposed capital restructuring which involves the Capital Reduction, the Capital Cancellation, the Reduction in Authorised Share Capital and the Increase in Authorised Shares
“Claim(s)”	any debt, liability or obligation of the Company as at the Effective Date, whether known or unknown, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute in Hong Kong, Bermuda or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution, any liability arising out of any legal claims, whether certain or contingent together with all interest on such debt, obligation or liability. For the avoidance of doubt, no claims for interest may be made for the period on and from 29 March 2016, being the date of the presentation of the winding up petition in HCCW 91 of 2016 in the Hong Kong Court by Satinu Markets Limited (previously known as HEC Securities Limited)
“Coking Plant”	the coal coking plant located in Fukang and wholly-owned by UE Coking
“Company”	Up Energy Development Group Limited (In Provisional Liquidation (For Restructuring Purposes)), a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 307)
“Connected Person(s)”	has the same meaning ascribed to it under the Listing Rules
“Creditor(s)”	any person having a Claim (a) which is not a Preferential Claim (and where the Claim is only in part a Preferential Claim, then the person is a Creditor only to the extent of the non-preferential portion of the Claim); (b) which is not a secured Claim (and where the Claim is only in part a secured Claim, then the person is a Creditor only to the extent of the unsecured part of the Claim (i.e. after deducting the value of the Securities Interest)); and (c) which is not a claim for the petition costs
“Creditor Shareholders”	the Shareholders and person who is deemed to be interested in the Shares that are also Creditors

“Cut-Off Date”	the date by which the Claims are to be proved in accordance with the provisions of the Scheme which is to be determined by the Scheme Administrator and shall be at least 21 days after the date of the notices and advertisements referred to in Clause 3 of the Scheme
“Deed”	the deed of variation and addendum to the Loan Facility Agreement dated 14 January 2019
“Director(s)”	the director(s) of the Company from time to time prior to the provisional liquidation of the Company
“Effective Date”	the date of registration with the Companies Registry in Hong Kong of the order sanctioning the Scheme to be granted by the Hong Kong Court; or the date of registration with the Companies Registry in Bermuda of the order sanctioning the Scheme to be granted by the Bermuda Court, whichever is the later
“EPC Master Construction Project Framework”	the agreement entered into between the Company and NPCE on 12 September 2018 relating to provision of management services to the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Existing Share(s)”	share(s) of HK\$0.20 each in the issued share capital of the Company prior to the Capital Restructuring
“Fukang”	a city in Xinjiang Uygur Autonomous Region, the PRC
“GCC”	Grande Cache Coal LP, an 85.31% owned subsidiary of the Company
“GCC Mine”	Grande Cache Coal Mine, a mine containing coal reserves and coal resources located in Alberta, Canada
“Group”	the Company and its subsidiaries
“Hao Tian Group”	Hao Tian Development Group Limited, interested in 371,500,000 Shares, representing approximately 8.19% of the total issued share capital of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong

“ICA”	Integrated Capital (Asia) Limited, lender of the Loan Facility Agreement, a limited liability company incorporated in Hong Kong and principally engaged in investment holding. ICA is also a Creditor of the Company and its ultimate beneficial owner is Mr. Yam Tak Cheung
“Increase in Authorised Shares”	the proposed increase of authorised shares of the Company from 20,000,000,000 Shares of nominal value HK\$0.20 each to 220,000,000,000 Shares of nominal value HK\$0.01 each
“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation which is licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Shareholders in respect of the Capital Restructuring
“Independent Shareholder(s)”	the Shareholders other than Up Energy Group and parties acting in concert with it, the Creditor Shareholders and those who are interested in or involved in the Creditors’ Scheme, the Whitewash Waiver and the Special Deal
“Issue Price”	the price at which the New Share is to be issued at HK\$0.129 per Share
“JPLs”	Joint Provisional Liquidators, namely Mr. Osman Mohammed Arab and Mr. Lai Wing Lun both of RSM Corporate Advisory (Hong Kong) Limited and Mr. Roy Bailey of EY Bermuda Limited, acting without personal liabilities
“Kaisun Consulting”	Kaisun Consulting Limited, a wholly owned subsidiary of Kaisun Holdings Limited, incorporated in Hong Kong with limited liability and principally engaged in consulting services. Kaisun Holdings Limited is incorporated in the Cayman Islands with limited liability whose shares are listed in the Growth Enterprise Market of the Stock Exchange (stock code: 8203). Kaisun Holdings Limited is a Creditor of the Company and two of the proposed directors of the Company are directors and shareholders of Kaisun Holdings Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	the loan facility of up to HK\$800 million provided by ICA to the Company pursuant to the terms and conditions of the Loan Facility Agreement and the Deed

“Loan Facility Agreement”	the loan facility agreement dated 6 March 2018 were entered into between the lender, namely ICA, the Company and the JPLs on behalf of the Company
“Lower Seam”	the lower coal seam of the Xiaohuangshan Mine
“Main Board”	the Main Board of the Stock Exchange
“New Share(s)”	collectively, the Scheme Shares and the Bonus Shares
“Notice of Claim”	a claim in written form submitted by any person claiming to be a Creditor or a notice of claim submitted to the Provisional Liquidators for the purposes of the Scheme Meeting, whichever is delivered later
“NPCE”	China Energy Engineering Group Northwest Power Construction Engineering Company Limited, a subsidiary of China Energy Engineering Corporation Limited whose Shares are listed on the Main Board of the Stock Exchange (stock code: 3996), being a contractor to the Company to provide management services pursuant to the EPC Master Construction Project Framework and Project Service Agreement
“Petition Costs”	The legal costs of the petitioners in relation to brought by Credit Suisse AG, Singapore Branch to wind up the Company in the Companies Winding-up Proceedings No. 183 of 2016 and brought by Satinu Markets Limited (previously known as HEC Securities Limited) to wind up the Company in HCCW 91 of 2016 (as the Provisional Liquidators were so advised by the solicitors of the petitioners at the date of this announcement), the amount of which is to be agreed by the Scheme Administrators or, if no agreement is reached between the Scheme Administrators and the petitioners, to be subject to taxation;
“Placing Agent” or “SBI”	SBI China Capital Financial Services Limited is a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance
“Placing Agreement”	a conditional placing agreement entered into between SBI and the Company on 18 May 2018
“Placing Share(s)”	up to 2,000,000,000 new Share(s) proposed to be placed under the Placing Agreement

“Placing Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the SGM for the allotment and issue of the Placing Shares
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Preferential Claim(s)”	Claim(s) which would be treated as a preferential claim pursuant to Section 265 of the Companies (Winding Up) Ordinance or Section 236 of the Bermuda Companies Act
“Project Services Agreement”	the agreement entered into among the Company, NPCE and the JPLs on 31 August 2018 relating to the appointment of constructors pursuant to the EPC Master Construction Project Framework
“Proposed Restructuring”	the proposed restructuring of debt under the Scheme and the Capital Restructuring of the Company
“Quanshuigou Mine”	a mine containing coal reserves and coal resources located 40 km to the east of Fukang, which is approximately 50 to 60 km away from Urumqi, the capital city of Xinjiang
“Reduction in Authorised Share Capital”	the proposed reduction of the authorised share capital of the Company from HK\$4,040,000,000 to HK\$2,200,000,000
“Resources Tax”	採礦權出讓收益, a resources levy imposed by the PRC government under a trial policy for the mine resources before mine construction and commercial extraction
“Resumption Conditions(s)”	the condition(s) for the resumption of trading of the Shares imposed by the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Sanctioning Orders”	the approvals or sanctions on the Scheme by the Bermuda Court and the Hong Kong Court respectively
“Scheme” or “Creditors’ Scheme”	the proposed scheme of arrangement for the Company under Sections 670, 673 and 674 of the Companies Ordinance and Section 99 of the Bermuda Companies Act between the Company and its Creditors, in its present form, or with or subject to any modification of it, any addition to it or any condition approved or imposed by the Hong Kong Court and/or the Bermuda Court

“Scheme Administrator(s)”	such persons who are to be appointed as scheme administrator pursuant to the terms of the Scheme, which are expected to be the Provisional Liquidators
“Scheme Meeting”	the meeting of the Creditors to be convened by the order of the Hong Kong Court and the Bermuda Court which was held on 30 September 2019
“Scheme Shares”	46,600,371,845 new Shares (or such other number of new Shares as the Scheme Administrators may determine) to be issued and allotted to the Creditors at HK\$0.129 per Share for all the Admitted Claims of HK\$6,011,447,965.70
“Scheme Shares Entitlement”	the number of Scheme Shares to which a Creditor with an Admitted Claim is entitled
“Secured Claim(s)”	Claim(s) which is secured by any Securities Interest
“Securities Interest”	any mortgage, pledge, lien, charge, assignment, hire-purchase title retention, leasing, other encumbrance, hypothecation or security interest of whatsoever kind, or any other agreement or arrangement having the effect of containing security including, for the avoidance of doubt, any proceeds or realisation of any of the above
“Service Agreement”	a service agreement entered into between the Company and Kaisun Consulting dated 8 August 2018 which the Company engaged Kaisun Consulting as a coordinator and introducer of financing
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving (i) the transactions contemplated under the Creditors’ Scheme, including the grant of the Specific Mandate for the issuing and allotment of the New Shares; (ii) the proposed Reduction in Authorised Share Capital; (iii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for issuing and allotment of the Placing Shares; (iv) the Whitewash Waiver; and (v) the Special Deal
“Share(s)”	the ordinary share(s) of the Company from time to time
“Shareholder(s)”	the holder(s) of the Existing Share(s)

“Shizhuanggou Mine”	a mine containing coal reserves and coal resources located 40 km to the east of Fukang, which is approximately 50 to 60 km away from Urumqi, the capital city of Xinjiang
“Special Deal”	the settlement of the indebtedness due to certain Shareholders under the Creditors’ Scheme, which constitutes a special deal under Rule 25 of the Takeovers Code
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the SGM for the issuing and allotment of New Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 18 August 2020 relation to the Loan Facility Agreement was entered into between ICA, the Company and the JPLs on behalf of the Company
“Taihua”	Fukang Taihua Coal Coking and Chemical Company Limited (阜康市泰華煤焦化工有限公司) is a private company incorporated in the PRC, principally engaged in the coal coking industry, coal washing, coal sales, production and sales of coke and chemical products, comprehensive utilisation of waste resources in Fukang. As at the date of this announcement, to the best of the JPLs’ knowledge, Taihua and its ultimate beneficial owners are independent third parties of the Company
“UE Baicheng Mining”	Up Energy (Baicheng) Mining Limited, an indirect wholly-owned subsidiary of UE Mining
“UE Coking”	Up Energy (Fukang) Coking Limited, a 70% owned subsidiary of the Company that currently owns the Coking Plant
“UE Mining”	Up Energy Mining Limited, a wholly-owned subsidiary of the Company
“UE (Fukang) Mining”	Up Energy (Fukang) Coal Mining Limited, a 79.2% owned subsidiary of the Company that currently owns the Xiaohuangshan Mine
“Up Energy Group”	Up Energy Group Limited, interested in 1,377,073,492 Shares, representing approximately 30.34% of the total issued share capital of the Company as at the date of this announcement
“Upper Seam”	the upper coal seam of the Xiaohuangshan Mine

“Washing Plant”	the coal washing plant located in Fukang and wholly-owned by Up Energy (Fukang) Coal Washing Limited (優派能源(阜康)煤炭洗選有限公司), a 70% owned subsidiary of the Company
“Water Recycling Plant”	the water recycling plant located in Fukang and wholly-owned by Up Energy (Fukang) Recycled Water Project Limited (優派能源(阜康)水循環工程有限公司), a 70% owned subsidiary of the Company
“Whitewash Waiver”	a whitewash waiver pursuant to Rule 26 of the Takeovers Code granted or to be granted by the Executive in respect of the obligations of Up Energy Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Up Energy Group and parties acting in concert with it which may arise as a result of the issue of the Scheme Shares
“WZJF”	Wenzhou Jianfeng Mining Engineering Co. Ltd (溫州建峰礦山工程有限公司), being the sub-contractor of UE (Fukang) Mining pursuant to the Xiaohuangshan Mine Construction Agreement and the Xiaohuangshan Mine Supplemental Agreement
“Xiaohuangshan Mine”	a mine containing coal reserves and coal resources located 18 km to the southeast of Fukang, which is approximately 50 to 60 km away from Urumqi, the capital city of Xinjiang
“Xiaohuangshan Mine Construction Agreement”	the agreement entered into between UE (Fukang) Mining and WZJF on 6 September 2018 relating to the construction of the Upper Seam and the Lower Seam facilities
“Xiaohuangshan Mine Supplemental Agreement”	the supplemental agreement to the Xiaohuangshan Mine Construction Agreement entered into between UE (Fukang) Mining and WZJF on 6 September 2018 relating to the construction of the Upper Seam facilities
“Xinjiang”	Xinjiang Uygur Autonomous Region, as an autonomous region of the PRC

“Xinjiang Government” the Government of Xinjiang

“%” per cent.

For and on behalf of
Up Energy Development Group Limited
(In Provisional Liquidation
(For Restructuring Purposes))

Osman Mohammed Arab
Roy Bailey
Lai Wing Lun
Joint Provisional Liquidators
who act without personal liability

Hong Kong, 4 September 2020

As at the date of this announcement, the Board of Directors comprises Mr. Wang Chuan, Mr. Zhang Li and Mr. Zheng Yuan as Executive Directors; and Mr. Li Bao Guo, Mr. Liu Yongshun, and Mr. Wu Yanfeng as Independent Non-executive Directors. The names of the Board members referred hereto are based on the latest register of directors of the Company. For the avoidance of doubt, the composition of the Board is a matter in dispute as Mr. Gao Shufang (subsequently resigned with effect from 30 September 2017) and Mr. Ji Lianming claimed themselves being appointed as Executive Directors whereas Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa, Joshua and Mr. Mak Yiu Tong claimed themselves to be appointed as Independent Non-executive Directors in replacement of the entire Board members (inter alia including Mr. Chui Man Lung, Everett who has purported resigned on 30 August 2018) in a SGM held on 25 April 2017.

The JPLs and the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

* *For identification purposes only*