

Liquidators (acting as agents of the Company only and without personal liability):

Mr. Ho Man Kit
Ms. Kong Sze Man Simone

Executive Directors:

Mr. Jiang Changqing (*Chairman*)
Mr. Zhao Feng
Ms. Liu Jianzhou
Mr. Chen Qizheng
Mr. Liu Zhen
Mr. Mok Kwan Leong

Independent Non-Executive Directors:

Mr. Wang Haiyu
Mr. Mok Hon Kwong Thomas
Mr. Ma Yu-heng

Registered office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong:

Unit B, 12/F
Hang Seng Causeway Bay Building
28 Yee Wo Street
Causeway Bay
Hong Kong

2 December 2022

To the Shareholders

Dear Sir/Madam,

(1) PROPOSED RESTRUCTURING INVOLVING
(I) CAPITAL REORGANIZATION;
(II) SUBSCRIPTION;
(III) GROUP REORGANIZATION;
(IV) PLACING;
(V) HONG KONG SCHEME;
(VI) PRC DEBT ARRANGEMENT; AND
(VII) RESUMPTION;
(2) WHITEWASH WAIVER;
(3) SPECIAL DEAL;
(4) PROPOSED APPOINTMENT OF DIRECTORS; AND
(5) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcements of the Company dated 5 May 2021, 29 June 2021, 4 April 2022 and the Rule 3.5 Announcement in relation to, among other things, the proposed Restructuring.

The purpose of this circular is to provide you with, among other things, information regarding (a) the Restructuring Agreement in relation to the Restructuring and the transactions contemplated thereunder (including the Capital Reorganization, the Subscription, the Group Reorganization, the Placing, the Hong Kong Scheme, the PRC Debt Arrangement); (b) the Whitewash Waiver; (c) the Special Deal; (d) appointment of Directors; (e) continued suspension of trading; (f) the recommendations of the Independent Board Committee; (g) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (h) a notice of the EGM, in order to enable you to make an informed decision on whether to vote for or against the ordinary and special resolution(s) to be proposed.

BACKGROUND OF THE RESTRUCTURING

The background information of the circumstances leading to the entering into of the Restructuring Agreement are detailed below:

Arbitrations against China Mobile Hebei

Reference is made to the announcement of the Company dated 30 October 2020 in relation to the Group's series of arbitrations lodged to Shijiazhuang Arbitration Committee and the other arbitration commissions against China Mobile Hebei for the repayment of long outstanding service fees and interests (the "**Arbitrations**").

As set out in the latest interim report of the Group for the six months ended 30 June 2022, the Group had applied for the repayment of a total of approximately RMB324.66 million in respect of the Arbitrations and the Shijiazhuang Arbitration Committee and the other arbitration commissions have ordered China Mobile Hebei to repay a total of approximately RMB132.12 million in respect of the Arbitrations. The remaining unawarded amount of service fees and interests would be subject to future decisions to be handed down by the Shijiazhuang Arbitration Committee and the other arbitration commissions.

Circumstances leading to the appointment of the Liquidators

On 4 February 2021, the Petitioner presented the Petition against the Company in respect of a sum of HK\$565,000, being the interest and legal costs incurred in relation to a bond for the principal amount of HK\$8,000,000. The Company failed to settle the sum of HK\$565,000 because of deteriorated financial conditions caused by the disputes with China Mobile Hebei and the failure by China Mobile Hebei to repay arbitration sums in favour of the Group (please refer to the Company's announcement dated 30 October 2020) and that the Company failed to reach a settlement plan with the Petitioner. On 31 March 2021, the Company claimed in its unaudited annual results announcement for the year ended 31 December 2020 that the Company's auditors were unable to perform audit work on schedule due to curbing and quarantine policies in the

PRC, therefore the despatch of 2020 annual report would be postponed to 15 May 2021.^{Note} On 5 May 2021, the hearing of the Petition took place in the Hong Kong Court. The Winding-up Order was made and the Trading Suspension commenced on the same day. On 25 June 2021, the Liquidators were appointed as joint and several liquidators of the Company pursuant to an order dated 25 June 2021 made by the Hong Kong Court.

Note: The Company failed to despatch the 2020 annual report on 15 May 2021 but the Company published the annual results for the years ended 31 December 2020 and 31 December 2021 and the interim results for the six months ended 30 June 2021 and 30 June 2022 on 4 November 2022, and the Company has published and dispatched the Group's 2020 annual report, 2021 interim report, 2021 annual report and 2022 interim report on 11 November 2022.

Circumstances leading to the entering into of the Restructuring Agreement

In view of the limited financial resources of the Group, the Company has entered into discussions with parties potentially interested in the restructuring of the Group. On 29 March 2022, the Company, GSC and Mr. Jiang entered into the Framework Agreement, in relation to, among others, the Investor's interest to invest a total amount of HK\$100,000,000 into the Company for the purpose of and in connection with the implementation of the Restructuring. This involves (i) the possible subscription of the Shares to be issued and allotted by the Company, representing no less than 75% of the Enlarged Issued Share Capital; (ii) the entering into of the Hong Kong Scheme; and (iii) the Capital Reduction and Sub-division of the unissued Shares; and the provision of a loan of HK\$10 million to the Company for the Restructuring Expenses. As at the Latest Practicable Date, such loan of HK\$10 million has been fully drawn down for the partial settlement of the Restructuring Expenses.

On 24 June 2022, GSC also provided an interest-free loan in the sum of up to HK\$10 million to a wholly-owned subsidiary of the Company (the "**Loan**") as interim financing to support the working capital requirement of the business operation of the Group in Hong Kong. The Loan is repayable in 12 months after the date of the first drawdown of the Loan. The Group agreed to grant in favour of GSC a fixed charge over the entire share capital of a wholly-owned operating subsidiary of the Company in Hong Kong as security for the Loan. The whole amount of the Loan has been drawn down on 28 June 2022.

THE RESTRUCTURING AGREEMENT

On 29 September 2022, the Company and the Liquidators entered into the Restructuring Agreement with the Investors, pursuant to which the Company will implement the Restructuring.

Details of the Restructuring Agreement together with detailed arrangements of (1) the Capital Reorganization; (2) the Subscription; (3) the Group Reorganization; (4) the Placing; (5) the Hong Kong Scheme; (6) the PRC Debt Arrangement; and (7) the Resumption are set out below.

Date

29 September 2022

Parties

- (i) Company;
- (ii) The Investors; and
- (iii) The Liquidators

Conditions precedent for Completion

Completion of the Restructuring shall be conditional upon the following conditions precedent being fulfilled or waived on or before the Long Stop Date:

- (i) the passing of the necessary resolutions by the Independent Shareholders at the EGM in accordance with the Listing Rules and/or the Takeovers Code to approve the following:
 - (a) the Restructuring Agreement and the transactions contemplated thereunder;
 - (b) the Subscription Agreement and the transactions contemplated thereunder;
 - (c) the Placing Agreement and the transactions contemplated thereunder;
 - (d) the grant of the Specific Mandates in respect of the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares;
 - (e) the Whitewash Waiver and the Special Deal;
 - (f) if required, the transactions to be implemented under the Hong Kong Scheme and the PRC Debt Arrangement;
 - (g) if required, the Group Reorganization; and
 - (h) such other necessary matters for the purpose of implementing the foregoing transactions as may be agreed by the parties to the Restructuring Agreement;

- (ii) the Capital Reorganization having become effective;
- (iii) the Placing Agreement not being subject to any conditions precedent (other than the conditions precedent under the Restructuring Agreement) and not having been terminated in accordance with its terms;
- (iv) the Listing Committee having granted the approval (with or without conditions) for the listing of, and permission to deal in, (i) the New Shares arising from the Capital Reorganization, and (ii) the Subscription Shares, the Placing Shares and the Creditors' Shares, and such approval and permission not subsequently having been revoked or withdrawn prior to the commencement of dealings in such Shares on the Stock Exchange;
- (v) the Executive having granted the Whitewash Waiver and consented to the Special Deal and the satisfaction of the conditions attached thereto and such approval not having been subsequently revoked or withdrawn;
- (vi) the Hong Kong Court sanctioning the Hong Kong Scheme and the Hong Kong Scheme having become effective and the satisfaction of all the conditions precedent attached thereto;
- (vii) the grant of an order by the Hong Kong Court for a permanent stay of the Winding Up Proceedings, effective upon the Scheme Effective Date;
- (viii) the grant of an order by the Hong Kong Court for the discharge of the appointment of the Liquidators, effective upon the Scheme Effective Date;
- (ix) obtaining the requisite approval and consent for the transfer of the Excluded Subsidiaries to the Scheme Co (if required);
- (x) a legally binding and enforceable written agreement in respect of the PRC Debt Arrangement having been properly executed between the Company and the relevant PRC creditor;
- (xi) the satisfaction of all requirements for the Resumption under the Resumption Guidance; and the Stock Exchange having granted the approval of the Resumption and such approval not having been revoked or withdrawn;
- (xii) obtaining all other necessary waivers, consents and approvals (including those from regulatory authorities and other relevant government authorities) which are required for the implementation of the transactions contemplated under the Restructuring Agreement;

(xiii) the Investors having obtained all necessary authorizations, consents and approvals for implementing the transactions contemplated under the Restructuring Agreement in accordance with the applicable laws and regulations (if required); and

(xiv) the due execution of all the transaction documents in relation to the Restructuring, and such documents remaining valid and enforceable and not having been terminated.

As at the Latest Practicable Date, save for the consents, approvals and/or waivers required to be obtained by the Company as required in conditions (i), (iv) to (ix), (xi) to (xii) above, there is no other governmental, regulatory and corporate authorizations and approvals required to be obtained in respect of condition (xiii) above. Other than conditions (xiii) which can be waived in whole or in part by the Investors by notice in writing to the Company and the Liquidators prior to the Long Stop Date, all other conditions precedent above cannot be waived by any of the parties. In the event that the above conditions precedent have not been satisfied or waived on or before 5:00 p.m. on the Long Stop Date, the Restructuring Agreement shall be automatically terminated in accordance with the terms of the Restructuring Agreement.

As at the Latest Practicable Date, none of the conditions above is fulfilled.

Termination of the Restructuring Agreement

Any party to the Restructuring Agreement may give written notice to the other parties to terminate the Restructuring Agreement upon occurrence of the following events:

- (i) after receiving the non-defaulting party's written notice that there is a material breach of the Restructuring Agreement, the defaulting party fails to resolve such event of material breach within 10 Business Days;
- (ii) the Stock Exchange having determined that the Company is not suitable for continued listing;
- (iii) the Hong Kong Court rejecting the application for leave to convene a creditors' meeting in respect of the Hong Kong Scheme (after the relevant application being made);
- (iv) the creditors under the Hong Kong Scheme and/or the Shareholders (if required) failed to pass the resolutions to approve the Hong Kong Scheme at the creditors' meeting and the EGM (if required) respectively;
- (v) the Hong Kong Court rejecting the application for sanctioning the Hong Kong Scheme (after the relevant application being made);

- (vi) the failure to pass all resolutions by the requisite majority of the Independent Shareholders at the EGM in accordance with the Listing Rules and/or the Takeovers Code; or
- (vii) the relevant PRC regulatory authorities rejecting the application for authorization, consent or approval (if required) for the transactions under the Restructuring Agreement,

provided that such determination, rejection or decision shall be final and conclusive and provided that before exercising the right of termination, the parties shall engage in a good faith discussion to consider alternatives to meet the preconditions and, where reasonable, to take action to implement the Restructuring and the Resumption.

1. THE CAPITAL REORGANIZATION

References are made to the announcements of the Company dated 16 May 2022, 27 June 2022 and 24 November 2022 and the circular of the Company dated 2 June 2022 and in relation to, among other things, the Capital Reorganization.

As part of the Restructuring, the Company proposed to implement the Capital Reorganization, which comprises the Capital Reduction and the Sub-division in the following manner:

- (i) the par value of each of the issued Shares be reduced from HK\$0.10 to HK\$0.001 per issued Share by cancelling the paid up share capital to the extent of HK\$0.099 per issued Share;
- (ii) the credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, and the balance of any such credit remaining after offsetting such accumulated losses (if any) shall be transferred to the Company's distributable reserves and used for such purposes as the Board may deem fit in accordance with all applicable laws and the Memorandum and Articles of Association;
- (iii) immediately following the Capital Reduction becoming effective, each of the authorized but unissued Shares with par value of HK\$0.10 each be sub-divided into 100 authorized but unissued New Shares with par value of HK\$0.001 each; and
- (iv) each of the New Shares arising from the Capital Reduction and the Sub-division shall rank *pari passu* in all respects with each other and will have the rights and privileges and be subject to the restrictions contained in the Memorandum and Articles of Association.

Upon the Capital Reorganization becoming effective but before the Completion, the authorized share capital of the Company would be HK\$400,000,000 divided into 400,000,000,000 New Shares of HK\$0.001 each.

Conditions of the Capital Reorganization

The Capital Reorganization is conditional upon the following conditions being fulfilled:

- (i) the passing of a special resolution by the Shareholders approving the Capital Reduction and the Sub-division at an extraordinary general meeting of the Company;
- (ii) an order being made by the Cayman Court confirming the Capital Reduction;
- (iii) compliance with any conditions which the Cayman Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Cayman Court confirming the Capital Reduction and the minute approved by the Cayman Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganization.

The Capital Reorganization will become effective when the conditions above have been fulfilled. None of the conditions above can be waived by the Company. As at Latest Practicable Date, condition (i) and (ii) have been fulfilled.

For the purposes of effecting the Capital Reorganization, the Company filed with the Cayman Court a petition to seek the Cayman Court's sanction the proposed Capital Reorganization.

A hearing of the petition took place at the Cayman Court on 22 November 2022. The Cayman Court confirmed the Capital Reduction and issued an order in terms of the special resolution as resolved by the Company on the extraordinary general meeting held on 27 June 2022. A copy of the order and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction was filed with the Registrar of Companies of the Cayman Islands on 23 November 2022 (Cayman Islands time).

Arrangement on Odd Lot Trading

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares arising from the Capital Reorganization, the Company has appointed Prudential Brokerage Limited, who is an Independent Third Party and not a Shareholder, as an agent to stand in the market to provide matching services for sale and purchase of odd lots of the New Shares at the relevant market price per New Share on a best effort basis for a three-work period commencing from the date of resumption of trading of the New Shares. Further announcement in respect of the commencement of the odd lot matching services will be made by the Company as and when appropriate.

Holdings of odd lots of the New Shares should note that successful matching of the sale and purchase of odd lots of the New Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

2. THE SUBSCRIPTION

Pursuant to the terms and conditions of the Restructuring Agreement, the Investors shall subscribe for a total of 21,449,572,237 Subscription Shares, at the Subscription Amount of HK\$100,000,000 (i.e. at the Subscription Price of approximately HK\$0.004662 per Subscription Share). The Subscription Shares shall represent 75% of the Enlarged Issued Share Capital immediately after the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares at Completion. For this purpose, the Company, the Liquidators and the Investors have entered into the Subscription Agreement on 24 November 2022. The Subscription is conditional upon the satisfaction of the conditions precedent provided under the Subscription Agreement.

The Subscription Amount shall be settled in the following manner:

- (i) firstly, by way of set-off against the Restructuring Expenses advanced by the Investors as at the Completion Date on a dollar-for-dollar basis; and
- (ii) secondly, the balance of the Subscription Amount after such set-off shall be paid by the Investors to the Company in cash on the Completion Date.

As at the Latest Practicable Date, the Company has incurred Restructuring Expenses of approximately HK\$9.8 million. It is estimated that the Restructuring Expenses up to Completion would be approximately HK\$22 million in total.

The Subscription Shares will be allotted and issued under the Specific Mandates to be sought for approval from the Independent Shareholders at the EGM.

Ranking of the Subscription Shares

The Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the New Shares in issue on the date of allotment of the Subscription Shares.

Subscription Price

The Subscription Price is equal to the Placing Price and the Issue Price, which represents:

- (i) a discount of approximately 97.10% to the theoretical closing price of HK\$0.161 per New Share as adjusted for the effect of the Capital Reorganization based on the closing price of HK\$0.161 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 97.39% to the average theoretical closing price of HK\$0.1786 per New Share as adjusted for the effect of the Capital Reorganization based on the average closing price of HK\$0.1786 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 97.41% to the average theoretical closing price of HK\$0.1801 per New Share as adjusted for the effect of the Capital Reorganization based on the average closing price of HK\$0.1801 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately HK\$0.1879 over the Group's audited consolidated net liabilities per New Share of approximately HK\$0.1832 as at 31 December 2021, based on the audited consolidated net liabilities attributable to Shareholders of approximately RMB476.3 million (equivalent to approximately HK\$523.9 million) as at 31 December 2021 and 2,859,942,965 New Shares in issue upon the Capital Reorganization becoming effective but before the Completion;
- (v) a premium of approximately HK\$0.2029 over the Group's unaudited consolidated net liabilities per New Share of approximately HK\$0.1982 as at 30 June 2022 based on the unaudited consolidated net liabilities attributable to Shareholders of approximately RMB515.4 million (equivalent to approximately HK\$566.9 million) as at 30 June 2022 and 2,859,942,965 New Shares in issue upon the Capital Reorganization becoming effective but before the Completion; and

- (vi) a premium of approximately 384.62% over the unaudited pro forma net assets value per Subscription Share as at 30 June 2022 of approximately HK\$0.000962 (based on the unaudited pro forma adjusted consolidated net assets being approximately RMB25.0 million as at 30 June 2022 as if the proposed Restructuring had been completed on 30 June 2022 as set out in the section headed “Unaudited Pro Forma Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss of the Group” in Appendix II to this circular and number of New Shares being 28,599,429,649 after the Capital Reorganisation and as enlarged by the issue of the Subscription Shares, the Placing Shares and the Creditors’ Shares).

The Subscription Amount was determined after arm’s length negotiation between the Company, the Liquidators and the Investors with reference to (i) the financial position of the Company and the fact that the Company is insolvent and in liquidation; (ii) the financial position and prospects of the business operation of the Retained Group; (iii) the prevailing market conditions; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 5 May 2021 and the proposed Restructuring is the only viable resumption proposal to rescue the Company to avert a delisting of the Shares on the Stock Exchange. In particular, the Liquidators have considered the following factors:

Financial position/insolvency

Based on the available books and record of the Company, the onshore and offshore debts of the Company amounted to approximately HK\$524.7 million as at the Latest Practicable Date, whereas the Company recorded net liabilities attributable to owners of the Company of approximately RMB515.4 million (equivalent to approximately HK\$566.9 million) as at 30 June 2022. The significant creditors of the Company at the relevant time are as follows:

Significant creditors of the Company

Name of creditor	Background of creditor	Amount of indebtedness (principal & interest)	Nature of indebtedness	Governing law in respect of the indebtedness	Maturity date	Any agreed repayment schedule	Demand and/or legal actions made or taken against the Company
Li Zhong	Bond Holder	HK\$8,911,342.47 per proof of debt form filed	Principal and interests of bond	Hong Kong	19 March 2023	Yes, the Company agreed by a letter dated 9 October 2020 to repay 50% accrued interest (HK\$560,000) and legal cost (HK\$5,000) before 30 November 2020 and the other 50% by 31 December 2020. The Company have not made repayment on these dates.	Statutory demand dated 1 January 2021 HCCW 57 of 2021 dated 5 May 2021

Name of creditor	Background of creditor	Amount of indebtedness (principal & interest)	Nature of indebtedness	Governing law in respect of the indebtedness	Maturity date	Any agreed repayment schedule	Demand and/or legal actions made or taken against the Company
Dan XiaoDong	Bond Holder	HK\$8,203,038.19 per proof of debt form filed	Principal and interests of bond	Hong Kong	15 January 2020	No	HCA 200 of 200 dated 25 September 2020 HCCW 71 of 2021
Zhang WenKai	Bond Holder	HK\$11,338,630.14 per proof of debt form filed	Principal and interests of bond	Hong Kong	6 June 2021	No	Statutory demand dated 28 January 2021 HCCW 105 of 2021
Yao HongYi	Bond Holder	HK\$7,080,000.00 per proof of debt form filed	Principal and interests of bond	Hong Kong	HK\$5,000,000 and its interests matured on 30 May 2020 HK\$2,000,000 and its interests matured on 6 July 2020	No	Statutory Demand dated 3 March 2021 HCCW 154 of 2021
Donghai Investment Fund Series SPC	Holder of Convertible Bond and Note Instrument	US\$25,834,658 per proof of debt form filed	Principal and interests of bond and note instrument	Hong Kong	June and July 2019	No	No action taken against the Company
Harbin Bank, Co., Ltd., Tianjin Branch	Lender to a loan agreement	RMB34,727,317.1 ^{Note}	Guaranteed obligations	PRC	17 October 2019	No, the Company is in negotiation with the Bank in relation to the PRC Debt Arrangement	The bank obtained a judgment against the Company in Tianjin Second Intermediate People's Court dated 30 December 2020

Note: being the principal amount of the loan only

Based on the financial information of the Group (please refer to Appendix I to this circular and the published accounts of the Group), the Liquidators consider that the Company failed to settle the debts illustrated above because the Company was (and is) insolvent with the Company in deep negative equity and there were insufficient assets or available financing in the Group, despite that some of the debts were secured by Mr. Jiang's personal guarantee or other assets and the Group's business operation at the subsidiary level remains largely normal with an improving trend but which are insufficient to save the Company from insolvency. Due to the number of creditors and amounts involved, the Company has considered but was and remains unable to find any practicable way to settle its indebtedness.

Financial position and prospect of the Retained Group

Based on the unaudited pro forma financial information of the Retained Group (please refer to Appendix II to this circular), the Liquidators consider that upon the completion of the Group Reorganization at Completion, the financial position of the Retained Group will be sound (with positive net assets of approximately RMB25.0 million as at 30 June 2022 based on the unaudited pro forma financial information), the business operation of the Retained Group will remain viable, and the Retained Group will have a reasonable prospect to continue to expand and develop its business.

If the Restructuring does not proceed and Completion does not take place, the Company will be liquidated and its assets (including its interests in the subsidiaries) will be sold or realized for the benefit of the Creditors and the value of the Shares will likely become zero. In contrast, if Completion takes place, the Shareholders will be able to trade their Shares after Resumption and to benefit from the business development of the Retained Group after Completion. The Liquidators consider that given the prolonged period of suspension of trading on the Stock Exchange, the last closing price of the Shares before the Trading Suspension cannot accurately reflect the current financial condition and valuation of the Company, and thus in turn cannot provide a fair basis for the evaluation of the Subscription Price. Moreover, it is not uncommon for subscription prices for subscriptions of controlling interest in companies that are in liquidation and have been in prolonged suspension from trading on the Stock Exchange to represent such deep theoretical discounts. In addition, based on the unaudited pro forma financial information set out in Appendix II to this circular, the Subscription Price (or the Placing Price) of approximately HK\$0.004662 per Share is greater than the net asset value per Share of the Retained Group as at 30 June 2022, being approximately HK\$0.000962. As the proposed Restructuring is the only viable option available to the Company to avert liquidation, the Liquidators consider that the terms of the Subscription (and the Placing) and the Subscription Price (and the Placing Price) are fair and reasonable.

Taking into account the aforesaid factors and in particular, the fact that the proposed Restructuring is the only viable option currently available to the Company to avert liquidation, the Directors (excluding the independent non-executive Directors whose view are set out in the letter from the Independent Board Committee) and the Liquidators considered that the terms of the Subscription (and the Placing), including the Subscription Price (or the Placing Price) with a 97.10% theoretical discount and the number of Subscription Shares representing 75% of the Enlarged Issued Share Capital (and the number of Placing Shares representing 5% of the Enlarged Issued Share Capital), are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The proceeds of the Subscription shall be used for (i) settling the Restructuring Expenses; (ii) the Working Capital; (iii) the implementation of the PRC Debt Arrangement; and (iv) the balance of the Subscription Amount after deducting (i) to (iii) above shall be used to settle the Admitted Scheme Claims under the Hong Kong Scheme.

Conditions precedent of the Subscription

Completion of the Subscription shall be conditional upon the satisfaction or waiver of the following conditions on or before the Long Stop Date:

- (i) the Capital Reorganization having become effective;
- (ii) the passing of the necessary resolutions by the Independent Shareholders at the EGM in accordance with the Listing Rules and/or the Takeovers Code to approve (i) the Restructuring Agreement, the Subscription Agreement and the Placing Agreement and the respective transactions contemplated thereunder; (ii) the grant of the Specific Mandates in respect of the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares; and (iii) the Whitewash Waiver and the Special Deal;
- (iii) obtaining the requisite approval and consent for the transfer of the Excluded Subsidiaries to the Scheme Co (if required);
- (iv) the Hong Kong Court sanctioning the Hong Kong Scheme and the Hong Kong Scheme having become effective and the satisfaction of all the conditions precedent attached thereto (save for the completion of the Subscription);
- (v) the Executive having granted the Whitewash Waiver and consented to the Special Deal and the satisfaction of the conditions attached thereto and such approval not having been subsequently revoked or withdrawn;
- (vi) the Listing Committee having granted the approval (with or without conditions) for the listing of, and permission to deal in, (i) the New Shares arising from the Capital Reorganization, and (ii) the Subscription Shares, the Placing Shares and the Creditors' Shares, and such approval and permission not subsequently having been revoked or withdrawn prior to the commencement of dealings in such shares of the Company on the Stock Exchange;
- (vii) the satisfaction of all requirements for the Resumption under the Resumption Guidance, and the Stock Exchange having granted the approval of the Resumption and such approval not having been revoked or withdrawn;
- (viii) obtaining all other necessary waivers, consents and approvals (including those from regulatory authorities and other relevant government authorities) which are required for the implementation of the transactions contemplated under the Subscription Agreement; and

- (ix) the Investors having obtained all necessary authorizations, consents and approvals for implementing the transactions contemplated under the Restructuring Agreement in accordance with the applicable laws and regulations (if required).

As at the Latest Practicable Date, save for the waivers, consents and/or approvals required to be obtained by the Company as required in conditions (i) to (vii) and (ix) above, there is no other waivers, consents and approvals required to be obtained in respect of condition (viii) above. Other than condition (ix) which can be waived in whole or in part by the Investors by notice in writing to the Company and the Liquidators prior to the Long Stop Date, all other conditions precedent above cannot be waived by any of the parties. As at the date of this circular, none of the conditions above is fulfilled.

The Subscription is inter-conditional with the Group Reorganization, the Placing and the taking effect of the Hong Kong Scheme; and the Subscription Shares, the Placing Shares and the Creditors' Shares will be allotted and issued simultaneously at Completion.

3. THE GROUP REORGANIZATION

Pursuant to the Restructuring Agreement, the Group Reorganization shall involve the transfer of the Excluded Subsidiaries to Scheme Co at nominal consideration upon Completion.

The purpose of the Group Reorganization is to dispose of any subsidiaries with net liabilities positions in order to improve the financial conditions of the Retained Group on a consolidated basis upon Completion. A scheme of arrangement will enable the Company to fully discharge and compromise all the Claims of the Creditors which will not be achievable by any other practicable method. Since Hong Kong does not have any statutory corporate rescue procedure, a scheme of arrangement is the only practicable method available to the Company to rescue its business and fully discharge and compromise all its debts (in conjunction with the PRC Debt Arrangement).

Since the Excluded Subsidiaries represent net liabilities to the accounts of the Company and is considered to have no meaningful value to the Group and its business, each of the Excluded Subsidiaries is intended to be disposed to the Scheme Company for a nominal consideration of HK\$1.00.

The Liquidators considered that the disposal of the Excluded Subsidiaries at nominal consideration is fair and reasonable and in the interest of the Company and Shareholders as a whole for the following reasons:

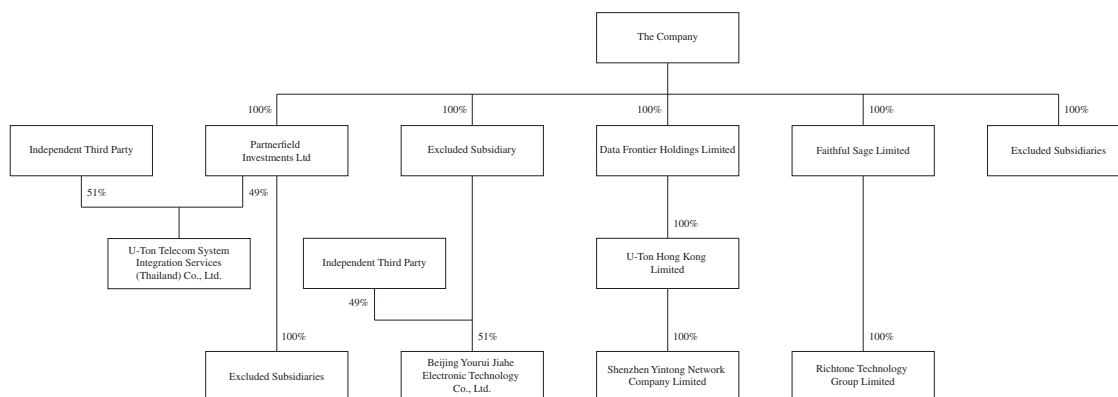
- (i) the Excluded Subsidiaries represent significant net liabilities in the consolidated accounts of the Group and have no meaningful value to the Group and its business (please refer to the unaudited pro forma financial information set out in Appendix II to this circular);
- (ii) following the legal disputes with China Mobile Hebei, one of the major business partners of the Group in the PRC at the time, save for the minimal maintenance service, most of the other Optical Fiber Services contracts were terminated/suspended due to the worsened relationship between the Excluded Subsidiaries and China Mobile Group. Given China Mobile Group's influential position in the telecommunication industry in the PRC, it is difficult for the Group to source new customers in the PRC and it is not foreseeable as to how much longer the situation will last for. Subsequently, the Excluded Subsidiaries' operations, revenue of which solely contributed by Optical Fiber Services segment at that time, were severely disrupted and their performances significantly deteriorated in 2020. According to the annual report of the Company for the year ended 31 December 2020, the Optical Fiber Services segment recorded revenue of approximately RMB28.1 million and gross loss of approximately RMB30.9 million, and it is not foreseeable as to when its operating performance will recover; and
- (iii) the disposal of the Excluded Subsidiaries will help improve the financial conditions of the Retained Group.

Upon the completion of the Group Reorganization, the Retained Group will continue to be operating through its subsidiaries the following core businesses, namely (a) fiber optic deployment and maintenance services, and (b) environmental intelligence technology products and services.

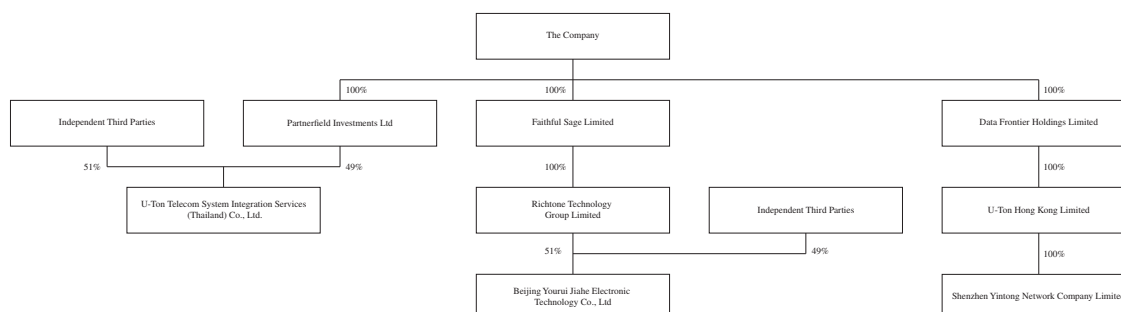
The Excluded Subsidiaries are principally engaged in (i) the provision of design, deployment and maintenance of optical fibers services in the PRC; and (ii) the money lending services in Hong Kong.

As set out in the section headed “Unaudited Pro Forma Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss of the Group” in Appendix II to this circular (the “**Pro Forma Financial Information**”), the Excluded Subsidiaries recorded net liabilities of approximately RMB47.8 million as at 30 June 2022. Upon completion of the Group Reorganization, the Excluded Subsidiaries will cease to be subsidiaries or associates of the Company and the unaudited pro forma net assets of the Retained Group as at 30 June 2022 will be amounted to be approximately RMB25.0 million as if the proposed Restructuring had been completed on 30 June 2022, details of which are set out in the Pro Forma Financial Information.

Set out below is the structure of the Group before the Group Reorganization:



Set out below is the structure of the Retained Group immediately after the completion of the Group Reorganization:



4. THE PLACING

Pursuant to the Restructuring Agreement, the Company and the Liquidators will enter into a Placing Agreement with the Placing Agent, pursuant to which the Placing Agent will undertake to use its best endeavours to place up to 1,429,971,482 Placing Shares to Independent Third Parties who are not a Shareholder or a member of the Investors Concert Group at the Placing Price of approximately HK\$0.004662 per Placing Share. The Placing Shares shall represent up to 5% of the Enlarged Issued Share Capital immediately after the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares at Completion. The gross proceeds of the Placing will be approximately HK\$6,666,527, and shall be used for the working capital of the Retained Group after deduction of costs and expenses. It is expected that the Company will enter into a Placing Agreement prior to the date of the Scheme Meeting.

Placing Price

The Placing Price of approximately HK\$0.004662 per Placing Share is the same as the Subscription Price and the Issue Price, which is determined having considered factors including the Trading Suspension, the prevailing market conditions, the financial position and prospects of the business operation of the Retained Group. Please refer to the paragraph headed "2. The Subscription – Subscription Price" of this letter for details of the Subscription Price.

Conditions precedent to the Placing

Completion of the Placing is conditional upon the following conditions being fulfilled:

- (i) the passing of the necessary resolutions by the Independent Shareholders at the EGM in accordance with the Listing Rules and/or the Takeovers Code to approve (i) the Restructuring Agreement, the Subscription Agreement and the Placing Agreement and the respective transactions contemplated thereunder; and (ii) the grant of the Specific Mandates in respect of the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares;
- (ii) the Listing Committee having granted the approval (with or without conditions) for the listing of, and permission to deal in, (i) the New Shares arising from the Capital Reorganization, and (ii) the Subscription Shares, the Placing Shares and the Creditors' Shares, and such approval and permission not subsequently having been revoked or withdrawn prior to the commencement of dealings in such shares of the Company on the Stock Exchange;
- (iii) all requirements and conditions imposed by the Stock Exchange or the SFC or under the Listing Rules otherwise in connection with the Placing Agreement and the transactions contemplated thereunder having been fulfilled or complied with;

- (iv) the Placing Agreement not having been terminated in accordance with its terms; and;
- (v) other conditions precedent under the Placing Agreement (if any).

All the conditions precedents to the Placing are incapable of being waived. As at the date of this circular, none of the conditions have been fulfilled.

The Placing is inter-conditional with the Group Reorganization, the Subscription and the taking effect of the Hong Kong Scheme; and the Subscription Shares, the Placing Shares and the Creditors' Shares will be allotted and issued simultaneously at Completion.

Ranking of the Placing Shares

The Placing Shares shall, when fully paid, will rank *pari passu* in all respects with the New Shares in issue as at the date of allotment of the Placing Shares.

5. THE HONG KONG SCHEME

As at the Latest Practicable Date, based on the available books and record of the Company, the claims declared by the Creditors amounted to approximately HK\$524.7 million.

The principal terms of the Hong Kong Scheme include the following:

- (i) on the Scheme Effective Date, all Claims of the Creditors against the Company and all liabilities of the Company shall be fully and finally discharged and compromised by virtue of the implementation of the Hong Kong Scheme, and such Claims and liabilities shall be accepted and assumed by the Scheme Co;
- (ii) the Scheme Administrators shall incorporate the Scheme Co to hold and realize the Scheme Assets from the Scheme Effective Date in order to distribute cash dividends to the Scheme Creditors in full and final settlement of the Admitted Scheme Claims and to settle the costs and expenses arising from the implementation of the Hong Kong Scheme, in accordance with the terms of the Hong Kong Scheme;
- (iii) upon Completion, the Company shall issue the Creditors' Shares at the Issue Price of approximately HK\$0.004662 per Creditors' Share to the Scheme Co, representing 10% of the Enlarged Issued Share Capital immediately after the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares at Completion;
- (iv) upon Completion, the Company or its subsidiaries shall transfer all Excluded Subsidiaries to the Scheme Co at nominal consideration;

- (v) the Scheme Assets for distribution under the Hong Kong Scheme shall include the following, and such assets shall be held by the Scheme Co and realized by the Scheme Administrators in accordance with the terms of the Hong Kong Scheme:
- (a) the balance of the Subscription Amount, after deducting (A) the Restructuring Expenses; (B) the Working Capital; and (C) the PRC Debt Arrangement;
 - (b) the Creditors' Shares;
 - (c) the equity interests and other assets of all the Excluded Subsidiaries;
 - (d) subject to the applicable laws and approval of the relevant parties, the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group as at the Scheme Effective Date, such receivables shall be transferred to the Scheme Co;
 - (e) cash, bank deposits and accounts receivable held by or payable to the Company (but excluding any of its subsidiaries) on the Scheme Effective Date (other than receivables of the Retained Group); and
 - (f) all claims or litigations and all potential claims or litigation rights of the Retained Group against third parties to the Scheme Co (to the extent transferrable under the applicable laws and as approved by the relevant parties).

Conditions precedent of the Hong Kong Scheme

The Hong Kong Scheme will be implemented in Hong Kong and shall become binding and effective on the Company and the Creditors if the following conditions precedent are satisfied:

- (a) the Creditors having approved the Hong Kong Scheme at the Scheme Meeting;
- (b) the Hong Kong Court sanctioning the Hong Kong Scheme, and registration of a sealed copy of the order of the Hong Kong Court sanctioning the Hong Kong Scheme with the Registrar of Companies in Hong Kong; and
- (c) the conditions precedent (other than the conditions precedent (xiii) in the paragraph headed "The Restructuring Agreement – Conditions precedent for Completion" in this circular) having been satisfied or waived.

All the conditions precedents to the Hong Kong Schemes are incapable of being waived. As at the Latest Practicable Date, none of conditions above have been fulfilled.

The taking effect of the Hong Kong Scheme is inter-conditional with the Subscription, the Group Reorganization and the Placing, and the Subscription Shares, the Placing Shares and the Creditors' Shares will be allotted and issued simultaneously at Completion.

The Creditors' Shares shall, when fully paid, rank *pari passu* in all respects with the New Shares in issue as at the date of allotment of the Creditors' Shares.

For the purposes of effecting the Hong Kong Scheme a hearing is scheduled at the Hong Kong Court on 8 February 2023 for directions to convene a Creditors' meeting. Subject to the order(s) made by the Hong Kong Court, such Creditors' meeting is expected to be held on 15 March 2023 and the Company will apply to fix a date for the second hearing of the Hong Kong Court for sanctioning the Hong Kong Scheme as soon as possible thereafter.

Further details of these applications will be announced in due course.

6. THE PRC DEBT ARRANGEMENT

The Company has provided a joint and several guarantee to Harbin Bank, Co., Ltd. Tianjin Branch to secure the obligations of one of the Excluded Subsidiaries under a loan agreement, and the relevant Excluded Subsidiary was in default under such loan agreement. The outstanding principal amount of the loan is approximately RMB34.7 million as at 30 September 2022. The Company is currently at an advanced stage of negotiation with the bank and it is expected that a binding settlement agreement will be entered into by the Company, the relevant Excluded Subsidiary and the bank by 31 December 2022.

The PRC Debt Arrangement shall be implemented upon Completion such that not more than RMB26,000,000 (equivalent to HK\$28,600,000) from the proceeds of the Subscription will be used for repayment of the debts of the Group in the PRC that are guaranteed by the Company, after which all guaranteed liabilities of the Company in the PRC will be fully and finally discharged. For this purpose, it is expected that the Company will enter into a legally binding and enforceable written agreement in respect of the PRC Debt Arrangement with Harbin Bank, Tianjin Branch by 31 December 2022. The settlement and the discharge of the relevant liabilities is inter-conditional with the completion of the Subscription and other parts of the Restructuring. The disposal of the Excluded Subsidiaries to the Scheme Co will not have any impact on the PRC Debt Arrangement, or vice versa.

7. RESUMPTION

References are made to the announcements of the Company dated 8 July 2021, 4 August 2021, 4 November 2021, 31 January 2022, 4 May 2022, 4 August 2022, 27 September 2022 and 4 November 2022.

The Company has been taking steps and formulating a viable resumption proposal to fully comply with the Resumption Guidance (“**RG**”) and the Listing Rules to the Stock Exchange’s satisfaction in order to have trading in the Shares resumed. The Liquidators consider that most of the Resumption Guidance have been fulfilled save the withdrawal or dismissal of the Winding-up Order and the implementation of the remedial actions recommended by the Internal Control Consultant and issue of the final internal control report as indicated below, and provide below an update on the fulfillment of the Resumption Guidance:

RG1 – publish all outstanding financial results required under the Listing Rules and address any audit modifications

On 4 November 2022, the Company published all outstanding financial results required under the Listing Rules with the audit modifications addressed accordingly and the auditors of the Company agreed that each audit modification has been addressed fully. Please refer to the section headed “4. Response from the Directors Regarding the Disclaimer of Opinion” regarding the proposed ways to resolve the audit modifications and the Auditor’s views on whether these audit modifications would recur in the upcoming financial statements.

On 11 November 2022, the Company published the annual reports for the year ended 31 December 2020 and 2021, and interim reports for the six months ended 30 June 2021 and 2022.

RG2 – have the Winding-up Order against the Company withdrawn or dismissed and liquidators (provisional or not) discharged

Pursuant to the Restructuring Agreement, the Company proposes to restructure its debts through, among other things, the Hong Kong Scheme. Subject to the approval of the Creditors, the Shareholders (if required) and the Hong Kong Court, on the Scheme Effective Date, all Claims of the Creditors against the Company and all liabilities of the Company shall be fully and finally discharged and compromised by virtue of the implementation of the Hong Kong Scheme.

The hearing is scheduled at the Hong Kong Court on 8 February 2023 for directions to convene a Creditors’ meeting. Subject to the order(s) made by the Hong Kong Court, such Creditors’ meeting is expected to be held on 15 March 2023 and the Company will apply to fix a date for the second hearing of the Hong Kong Court for sanctioning the Hong Kong Scheme as soon as possible thereafter.

This Resumption Guidance is subject to the implementation of the Hong Kong Scheme and Completion of the Restructuring.

RG3 – conduct an independent forensic investigation into the Suspected Unauthorized Subscription, announce the findings and take appropriate remedial action

References are made to the announcements of the Company dated 16 September 2022, 27 September 2022 and 4 November 2022 in relation to the Suspected Unauthorized Subscription.

The Company has established the Special Investigation Committee and appointed the Independent Investigator to conduct the Specific Internal Control Review in relation to the Suspected Unauthorized Subscription on 19 August 2022 and engaged the Forensic Investigator on 12 October 2022 to conduct the Independent Forensic Investigation in relation to the Suspected Unauthorized Subscription.

On 4 November 2022, the Company has published the announcement in respect of the Independent Forensic Investigation and the Internal Control Review and the findings and appropriate remedial actions recommended by the Special Investigation Committee.

RG4 – conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules

The Company engaged the Internal Control Consultant to conduct a comprehensive review of the internal control systems and procedures of the Company and to make recommendations accordingly to ensure that the Company has in place adequate internal control and procedures to comply with the Listing Rules.

The Internal Control Consultant has produced an interim internal control report on 24 October 2022 in relation to the internal control systems and procedures of the Company which has identified certain internal control weaknesses of the Company and has made certain recommendations to improve the internal control systems. The Company has been taking active steps in rectifying the identified internal control weaknesses and carrying out the recommendations from the Internal Control Consultant. It is expected that the full implementation of the remedial actions recommended by the Internal Control Consultant will be completed by the end of December 2022, and the Internal Control Consultant would further conduct a review on the effectiveness of these remedial actions undertaken. It is expected that the Internal Control Consultant would produce the final internal control report by end of December 2022.

This Resumption Guidance is subject to the implementation of the remedial actions recommended by the Internal Control Consultant and issue of the final internal control report.

RG5 – Demonstrate its compliance with Rules 13.24, 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules

Business Operation

Please refer to the section headed “INFORMATION ABOUT THE COMPANY AND THE GROUP” of this letter for the information of the Company.

On 7 October 2022, the Company has submitted the Resumption Proposal to the Stock Exchange. The Resumption Proposal set forth the business, financial and other material information of the Company to demonstrate that the Company has sufficient operations and assets to fully comply with Rule 13.24 of the Listing Rules and to illustrate the steps undertaken by the Company to satisfy the general obligations as required under the Listing Rules.

The Optical Fibers Services segment and the environmentally intelligent technical products and services segment have been continuing their operations in all material respects and both demonstrated a substantial improvement in terms of financial and operational performance. For instance, based on the unaudited pro forma financial information of the Retained Group (please refer to Appendix II to this circular), it is demonstrated that, for the six months ended 30 June 2022, there was a significant turnaround in terms of the Retained Group’s profitability attributed to both segments, with a gross profit of approximately RMB3.9 million being generated. The unaudited pro forma consolidated net assets of the Retained Group is approximately RMB25.0 million as at 30 June 2022 as if the Restructuring had been completed on 30 June 2022, as all debts under the Hong Kong Scheme and the loan from Harbin Bank, which account for the majority of the Group’s indebtedness other than those related to normal business operation, would be settled.

As mentioned in the section headed “PROSPECT AND FUTURE PLAN” of this letter, the management of the Company is optimistic about the business prospects of both segments given (i) the overall increase in demand in the optical fibers services and related communication networks services in Hong Kong and Thailand in the coming years; and (ii) it is the Group’s intention to continue to develop its business into the area of green and smart building material, decoration and renovation business. As the management team of the Company is comprised of professionals who have rich relevant experience, solid and specific industry expertise, as well as broad industry network, it is believed that they are able to lead the Group to generate positive performance in the long term. Moreover, the Group has maintained a diverse clientele and secured substantial service agreements with various customers to support the continuation of the sufficient operations of the Group. Therefore, the Company is of the view that both business segments of the Group have substance and are sustainable and viable.

Appointment of independent non-executive Directors and the Board Composition

Reference is made to the announcement of the Company dated 24 May 2022 in relation to the appointment of Directors and the board composition.

The Company has appointed independent non-executive Directors to the Board and as members of the audit committee of the Company with effect from 25 May 2022. Following the above, the Company has been in compliance with the requirements of Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules.

Appointment of company secretary

Reference is made to the announcement of the Company dated 26 October 2022 in relation to the appointment of company secretary.

The Company has appointed Mr. Cheung Kwok Wo as the company secretary of the Company. Following the appointment, the Company has been in compliance with Rule 3.28 of the Listing Rules.

In light of the above, as at the Latest Practicable Date, the Company has fulfilled most of the conditions in the Resumption Guidance.

Notwithstanding the above, the Stock Exchange indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes.

The Company has not fulfilled the Resumption Guidance in its entirety within the 18-month period ended on 4 November 2022 in accordance with Rule 6.01A of the Listing Rules and that the Stock Exchange may cancel the Company's listing.

To facilitate the Resumption, each of the Company, the Investors and the Liquidators undertakes and agrees to use its best endeavors to procure the fulfillment of the Resumption Guidance imposed by the Stock Exchange as soon as practicable, including but not limited to:

- (a) informing the Investors of the status of the Resumption to the extent permitted by law, and providing documents and information reasonably requested by the Investors relating to the Resumption; and
- (b) cooperating fully and reasonably to do such further acts and things and executing any further document that may be necessary or desirable to give full effect to the Restructuring.

REASONS AND BENEFITS FOR THE ENTERING OF THE RESTRUCTURING AGREEMENT

The Company is an investment holding company and the Group is principally engaged in (a) the provision of design, deployment and maintenance of optical fibers services and related communication networks services; and (b) environmentally intelligent technical products and services.

References are made to the announcements dated 5 May 2021, 13 May 2021 and 25 June 2021 of the Company in relation to the Winding Up Order and several winding up petitions against the Company. The Restructuring forms a vital part of the Resumption plan of the Company as it provides the Group with the necessary financing to restructure the debts of the Company by the implementation of the Hong Kong Scheme and the PRC Debt Arrangement.

In view of the above and considering the financial situation of the Group and the willingness of the Investors to finance the Group in order to relieve the indebtedness of the Company and to support the business operations and expansion of the Group, the Liquidators and the Directors consider that the entering into the Restructuring Agreement will facilitate the debt restructuring of the Group and to satisfy the Resumption Guidance set out by the Stock Exchange. In addition, the Group has been endeavouring on the process of formulating and implementation of the Restructuring plan, and in order to comply with the Resumption Guidance, one of which is to demonstrate its compliance with Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares. With the introduction of the Investors as Shareholders, it is expected that the experience and network of Dr. Chuang (being the sole beneficial owner and sole director of GSC) as well as his resources, could help the Retained Group to expand and develop its business.

In respect of the Placing, the Board considers that it would be in the interest of the Company to conduct equity fund raising via the Placing to gain additional working capital for the Retained Group, which will facilitate the Retained Group in further developing its business. In addition, the Placing would enlarge the shareholder base of the Company.

Having considered the factors above, the Liquidators and the Directors (excluding the independent non-executive Directors whose view are set out in the letter from the Independent Board Committee) consider that the terms of the Restructuring Agreement are on normal commercial terms that are fair and reasonable and the entering into of the Restructuring Agreement will be in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE SUBSCRIPTION AND THE PLACING

The aggregate gross proceeds from the Subscription (approximately HK\$100 million) and the Placing (approximately HK\$6.7 million) of approximately HK\$106.7 million will be applied as follows:

- (i) approximately HK\$22 million will be used to set-off against the Restructuring Expenses advanced by the Investors as at the Completion Date on a dollar-for-dollar basis in accordance with the Restructuring Agreement;
- (ii) approximately RMB26 million (equivalent to approximately HK\$28.6 million) will be used for implementing the PRC Debt Arrangement;
- (iii) approximately HK\$35.7 million will be used for implementing the Hong Kong Scheme for settling the Admitted Scheme Claims; and
- (iv) approximately HK\$20.4 million (comprising HK\$13.7 million (being the Working Capital) from the Subscription and approximately HK\$6.7 million from the Placing) will be used as working capital of the Company.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purposes only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganization becoming effective; and (iii) immediately after the Capital Reorganization becoming effective and completion of the Subscription, the Placing and the Hong Kong Scheme:

Shareholder	As at the Latest Practicable Date		Immediately after the Capital Reorganization having become effective		Immediately after the Capital Reorganization having become effective and completion of the Subscription, the Placing, and the Hong Kong Scheme	
	Number of Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %
The Investors Concert Group						
GSC	-	-	-	-	15,729,686,307	55.00
Dr. Chuang	-	-	-	-	5,719,885,930	20.00
Sub-total	-	-	-	-	21,449,572,237	75.00
Scheme Co	-	-	-	-	2,859,942,965	10.00
Placees	-	-	-	-	1,429,971,482	5.00
Mr. Jiang and his associates (Note 1)	558,630,000	19.53	558,630,000	19.53	558,630,000	1.95
Xinjiang Borun Investment Holdings Limited	417,269,077	14.59	417,269,077	14.59	417,269,077	1.46
Mr. Chen Xiaotong and his associates	213,797,100	7.48	213,797,100	7.48	213,797,100	0.75
HNA Tourism Group	200,540,000	7.01	200,540,000	7.01	200,540,000	0.70
Ms. Cheng Weihong	169,545,000	5.93	169,545,000	5.93	169,545,000	0.59
Mr. Liu Xuezhong	162,783,000	5.69	162,783,000	5.69	162,783,000	0.57
Donghai	77,380,000	2.71	77,380,000	2.71	77,380,000	0.27
Other Public Shareholders	1,059,998,788	37.06	1,059,998,788	37.06	1,059,998,788	3.71
Total:	2,859,942,965	100.00	2,859,942,965	100.00	28,599,429,649	100.00

Note 1:

Mr. Jiang is the chairman and an executive Director of the Company. Mr. Jiang held 6,400,000 Shares directly as beneficial owner, and 542,350,000 Shares are held by him indirectly via Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang. Further, Mr. Jiang is deemed to be interested in the 10,195,000 Shares held by his spouse, Ms. Guo Aru, by virtue of the SFO. As it is proposed that Mr. Jiang will resign as an executive Director before Completion but in any event after the EGM, Mr. Jiang will become a public Shareholder upon Completion.

Apart from Mr. Jiang and his associates, Donghai and the Investors Concert Group, none of the above persons was involved in the discussion and negotiation of the Restructuring Agreement and the transactions contemplated thereunder, and none of the above persons was interested in the transactions contemplated under the Restructuring Agreement other than as an Independent Shareholder. Mr. Jiang and his associates, Donghai and the Investors Concert Group will abstain from voting at the EGM.

INTENTION OF THE INVESTORS TO MAINTAIN PUBLIC FLOAT

The Investors have undertaken with the Company and the Liquidators that, following completion of the Subscription and in the event that the Placing Shares under the Placing Agreement are not fully subscribed for, they will, to the extent required by the Listing Rules or the time limits permitted by the Stock Exchange prior to the Resumption, engage a placing agent independent of the Investors and parties acting in concert with it to sell or otherwise dispose to Independent Third Parties and/or third parties independent of the Investors and their connected persons and not acting in concert with the Investors, its ultimate beneficial owners and their respective parties acting in concert, of such number of New Shares as may be required to ensure that the minimum public float as required under the Listing Rules is maintained to permit the continued listing of all issued New Shares on the Stock Exchange.

INFORMATION ABOUT THE COMPANY AND THE GROUP

The Company and the Group

Prior to the Trading Suspension, the Group was principally engaged in (i) the provision of design, deployment and maintenance of optical fibers services and related communication networks services in the PRC; (ii) environmentally intelligent technical products and services in the PRC; and (iii) provision of money lending services in Hong Kong.

Following the Company being ordered to be wound up by the Hong Kong Court pursuant to the Winding-up Order and the suspension of trading of the Shares on 5 May 2021, the Board still has effective control over the Company's subsidiaries which are still in operations.

The Group retains the provision of design, deployment and maintenance of optical fibers services (“**Optical Fibers Services**”) and the environmentally intelligent technical products and services as its principal business activities. In 2020, in view of the severely deteriorated performance of the Group’s Optical Fiber Services segment in the PRC following the legal disputes with China Mobile Hebei, one of the major business partners of the Group in the PRC at that time, for the repayment of long outstanding service fees and interests, the management of the Group actively explored opportunities to expand its Optical Fiber Services segment to overseas regions. The Group’s management was aware that Thailand government had been promoting the transformation of installation method of urban power lines and communication lines in major cities from aerial method to ground embedded method, which coincided with the Group’s specialty. In addition, some acquaintances of Mr. Jiang, being Independent Third Parties, whom Mr. Jiang encountered through his business connections established during his over 20 years of exposure in the PRC optical fiber industry, had already expanded their exposures to Thailand and built connections with some local corporations and authorities. Thanks to the Group’s proven specialty and services as well as the longstanding relationships between Mr. Jiang and his acquaintances, the Group was rewarded services contracts since October 2020.

In November 2020, Mr. Jiang led a team of five experienced engineers and technicians of the Group, who have served under the Group’s optical fibers services operation in the PRC for over 10 to 20 years, to commence the operation of Optical Fiber Service in Thailand by forming a joint venture company in Thailand namely, U-Ton Telecom System Integration Services (Thailand) Co., Ltd, a joint venture controlled by the Group (the “**Thailand Subsidiary**”), in collaboration with two independent third parties, has commenced operation of Optical Fibers Services in Thailand (the “**Thailand Operation**”) in 2021 to serve customers located in Thailand.

The Thailand Operation was developed by the experienced personnel of the Group in the Optical Fibers Services segment through their business connections in the optical fibers service industry in the PRC and the majority of its clients have business connections with enterprises in the PRC. The five experienced engineers of the Group are employed under the Thailand Subsidiary, and Mr. Jiang has been a director of the Thailand Subsidiary. Upon Completion, the five experienced engineers and Mr. Jiang would continue with their respective roles in the Retained Group, and Mr. Jiang will continue to expand the business of the Thailand Subsidiary by obtaining new businesses or renewing the existing contracts.

During the preparation of proposal/planning for new projects and with their extensive network of telecommunication infrastructure contractors, the experienced management team of the Group negotiates with the telecommunication infrastructure contractors to assess the labour costs and material cost in order to estimate the cost and profitability to formulate the most viable optical fibers solutions to the clients on a project-by-project basis.

In order to monitor the progress of the projects and maintain an effective cost control, the project supervisors of the Thailand Operation would communicate with its telecommunication infrastructure contractors on-site to obtain updated information on their costs incurred and progress of the projects from time to time. The project supervisors of the Thailand Operation also carry out inspection on-site and communicate with the telecommunication infrastructure contractors to ensure the quality and compliance with the specifications as described in the tender from time to time. The entire operation of the Thailand Operation is the same as the operation of the Optical Fibers Services in the PRC.

In 2022, riding on the success of the Thailand Operation, the management of the Group continued seeking geographical expansion opportunities of its Optical Fiber Services segment. The Group's established business network included some enterprises that also had exposures and connections in Hong Kong, which subsequently referred some business opportunities to the Group. The Group then commenced operation of Optical Fibers Services in Hong Kong (the "**Hong Kong Operation**") to serve customers located in Hong Kong. Like the Thailand Operation and the Optical Fibers Services in the PRC, the Hong Kong Operation provides value-added design and deployment services including (i) devising flexible optical fiber solutions with viable direct burial and pipe jacking designs; and (ii) providing optimal routing for clients to shorten the working period for time and cost savings. In view of the high labour costs in Hong Kong, for cost saving purpose, instead of building a team of in-house contractors to carry out the installations of optical fibers networks like the Thailand Operation and the Optical Fibers Services in the PRC, the operating company of the Hong Kong Operation enters into service agreements with four local telecommunication infrastructure contractors in Hong Kong to carry out the installation of optical fiber networks. This also ensures that sufficient engineering teams can be deployed to accommodate the work schedule of the infrastructure works for its clients.

U-Ton Hong Kong Limited (the "**Hong Kong Subsidiary**"), being the operating company of the Hong Kong Operation, serves as the operation center of the Hong Kong Operation to enter into service contracts with local telecommunication network engineering companies in Hong Kong to provide them with optical fiber solutions. Recently, the Hong Kong Subsidiary has set up a wholly owned subsidiary in Shenzhen, the PRC in November 2022 for the provision of business and technical support functions to the Retained Group.

Set out below is the financial performance of the Optical Fibers Services segment for the six months ended 30 June 2022 extracted from the interim report of the Group for the six months ended 30 June 2022, which includes the financial performance of the Thailand Operation and the Hong Kong Operation:

	Six months period ended 30 June 2022
	<i>RMB'000</i>
	(Unaudited)
Segment revenue	23,498
– <i>The PRC including Hong Kong</i>	19,436 ^{Note}
– <i>Thailand</i>	4,062
Segment gross profit	4,348

Note: Revenue generated by Hong Kong Operation and the operation of Optical Fiber Services in the PRC were approximately RMB9.2 million and RMB10.2 million respectively.

The Group has also been actively expanding its business coverage in Thailand and Hong Kong. As at the Latest Practicable Date, the Group has entered into 10 service agreements (the “**Service Agreements**”) with eight customers in Thailand and Hong Kong, which are engaged in businesses including (i) provision of engineering construction services; (ii) provision of integrated communications services; (iii) distribution of optical fiber and provision of installation services; and (iv) telecommunications infrastructure contracting, amounting to approximately RMB352 million in aggregate, for the sustainable development of the Optical Fibers Services business of the Group in different regions.

Pursuant to the Service Agreements, the Group provides the Optical Fibers Services to the respective customers under its Thailand Operation and Hong Kong Operation. The period of service under the Service Agreements ranges from one to three years from the date of the respective Service Agreements which were entered into during the period from April 2022 to September 2022. The Service Agreements with the leading local telecommunications providers and telecommunications infrastructure contractors were originated by the management team of the Optical Fibers Services segment through (i) business connections of the Group’s experienced personnel in the Optical Fibers Services segment; and (ii) their newly established business networks resulted from their good reputation in the local community.

The Retained Group will be principally engaged in (a) the provision of design, deployment and maintenance of optical fibers services and related communication networks service in Hong Kong and Thailand; and (b) environmentally intelligent technical products and services in the PRC.

PROSPECT AND FUTURE PLAN

Business plan of the Group

The Investors have provided interim financing to the Group to further develop its Optical Fiber Services business, notwithstanding that the Resumption has yet to be approved by the Stock Exchange.

Leveraging on the business network and technical know-how of the Group, and riding on the successful implementation of the business model which has been strategically formulated by the Directors and management in accordance with the existing resources of the Group and the market trend of the Optical Fiber Services, the Company will continue to reinforce its position in the existing business segments and expand its business scale based on the business plan of the Group.

Based on the existing resources available to the Group and taking into account the additional funding available to the Group, if the Subscription and the Placing are successfully implemented, the Group has formulated the following business plan to develop the existing business portfolio of the Group:

Business coverage of optical fibers services and related communication networks services in Hong Kong and Thailand

In view of the overall increase in demand in the optical fibers services and related communication networks services in Hong Kong and Thailand in the coming years, the Group will continue to expand its business in Hong Kong and Thailand, which provide growing turnover and stable profit margin with the current contract sum amounted to over RMB300 million.

The Group expects that the operating environment will continue to be challenging due to the slowdown of the global economics. However, optical fiber communication network construction is crucial and fundamental to all types of infrastructure, and is an important element for the economic development in China and countries in Southeast Asia. Therefore, the Group will continue to explore opportunities to broaden its revenue stream in the communications network services in order to enhance its profitability.

Provision of environmentally intelligent technical products and services in the PRC

In view of recent challenging operating environment in the PRC as a result of COVID-19, the Group intends to maintain its scale of business in provision of environmentally intelligent technical products and services and aims to generate stable turnover and profit margin under its current business scale. In order to cope with the anticipated challenges and staying competitive, more efforts will be made to strengthen internal control and management, strictly control production costs and operating expenses. In the long run, it is the Group's intention to continue to develop its business into the area of green and smart building material, decoration and renovation business.

The Liquidators concur with the Group that given the additional funding available to the Group and the Group's possession of experienced personnel with the required expertise for each segment, the above business plan formulated by the Group is viable.

BOARD COMPOSITION OF THE COMPANY AND PROPOSED APPOINTMENT OF PROPOSED DIRECTORS

As at the Latest Practicable Date, the Board is comprised of six executive Directors, namely Mr. Jiang Changqing, and Mr. Zhao Feng, Ms. Liu Jianzhou, Mr. Chen Qizheng, Mr. Liu Zhen and Mr. Mok Kwan Leong, and three independent non-executive Directors, namely Mr. Wang Haiyu, Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng.

As disclosed in the announcement of the Company dated 4 November 2022, the Special Investigation Committee has recommended the Board to adopt the findings of the Independent Forensic Investigation (the "**Recommendations**") and the Specific Internal Control Review and to replace the Group's management with professionals with relevant experience as soon as practicable. As the Board agreed with the views of the Special Investigation Committee and has resolved that the Recommendations be implemented as soon as practicable, it is proposed that all existing executive Directors will resign from the Board before Completion but in any event after the EGM. The Investors intend to appoint Dr. Chuang Tze Cheung Christopher, Ms. Tang Shaofen and Mr. Xie Jingguang as executive Directors and Ms. Lai Yeung Fun, Mr. Zhong Weifeng, and Mr. Zhang Lu Fu as the independent non-executive Directors. The Liquidators are of the view that such change of Directors will not affect the business viability of the Hong Kong Operation and Thailand Operation since the experienced personnel with the relevant telecommunication expertise, including Mr. Jiang who would continue to hold his directorship in the Thailand Subsidiary, will continue their existing roles in the Retained Group. Save for (i) Mr. Jiang who would continue his directorship in the Thailand Subsidiary and (ii) Mr. Chen Qizheng who would continue to be an employee of one of the Excluded Subsidiaries to follow up the Arbitrations with China Mobile Hebei, all other existing executive Directors will not hold any positions in the Company before Completion other than being the executive Directors.

The appointment of the abovementioned proposed Directors shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the EGM by poll. It is expected that the appointment of the proposed Directors will be effective from the date of the Resumption.

Following the appointment of the abovementioned proposed Directors, the Board will be comprised of three executive Directors, namely, Dr. Chuang Tze Cheung Christopher, Ms. Tang Shaofen and Mr. Xie Jingguang and 6 independent non-executive Directors, namely, Mr. Wang Haiyu, Mr. Mok Hon Kwong Thomas, Mr. Ma Yu-heng, Ms. Lai Yeung Fun, Mr. Zhong Weifeng, and Mr. Zhang Lu Fu.

Set out below are the biographical details of the proposed Directors:

Proposed Executive Directors

Dr. Chuang Tze Cheung Christopher (莊紫祥)

Dr. Chuang, aged 54, is the proposed chairman and executive Director. If appointed, Dr. Chuang will be responsible for overall business strategy and major business decisions of the Group.

Dr. Chuang has over 18 years of experience in the payment and fintech industry in the PRC, Hong Kong and Southeast Asia. He is currently a director of IATS Holding Limited which, together with its subsidiaries, provides payment and fintech services in the PRC and Hong Kong. Prior to entering the payment and fintech industry, Dr. Chuang accumulated experiences in accounting, auditing and financial management from various companies such as PricewaterhouseCoopers, KPMG and Trasy Gold Ex Limited (now known as Global Mastermind Holdings Limited), a company listed on GEM of The Stock Exchange (Stock code: 8063), where Dr. Chuang was appointed as the chief executive officer and qualified accountant.

Dr. Chuang has also assumed multiple social positions, such as being the executive vice president and the permanent honorary president of General Association for the Peaceful Development of the Two Sides of Straits (兩岸和平發展聯合總會常務副理事長／兩岸和平發展聯合總會永遠名譽主席) since May 2016 and September 2017 respectively, the director of China Strategy Culture Promotion Association (中國戰略文化促進會理事) since September 2016, the permanent honorary president of HKCPPCC (Provincial) Members Association Foundation Limited (港區省級政協委員聯誼會基金有限公司永遠名譽會長) since July 2018 and a member of the Seventh Shenzhen Committee of the Chinese People's Political Consultative Conference (政協深圳市第七屆委員會委員) since April 2021.

Dr. Chuang graduated from the University of East Anglia, United Kingdom with a Bachelor of Science degree in July 1992 and obtained an Honorary Doctorate (Honorary Doctor of philosophy) in finance from the Lincoln University College, Malaysia in April 2020. He is also a qualified accountant and has been a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants since May 1997 and January 1998, respectively.

Ms. Tang Shaofen (唐少芬)

Ms. Tang Shaofen (唐少芬) (“**Ms. Tang**”), aged 41, will be responsible for overseeing the general management, human resources and administration matters of the Group. Ms. Tang has over 15 years of relevant experience acquired through various positions with companies in the payment and fintech industry. Ms. Tang obtained an Honorary Doctorate of Professional Studies in the field of Business Administration from Lincoln University College, Malaysia in April 2020.

Mr. Xie Jinggaung (謝景光)

Mr. Xie Jinggaung (謝景光) (“**Mr. Xie**”), aged 43, will be responsible for sales and marketing function of the Group. Mr. Xie worked from May 2002 to December 2004 at the Guangzhou branch of Beijing Jialide Technology Company Limited (北京嘉利得科技有限公司), a company engaging in the business of technical support and whole sale of electronic equipment and computers. Since December 2004, Mr. Xie gained over 17 years of experience through various positions with companies in the payment and fintech industry. Mr. Xie obtained a bachelor degree in business administration from Jiangnan University, Jiangsu, the PRC through distance learning in July 2021.

Proposed Independent non-executive Directors

Ms. Lai Yeung Fun (黎樣歡)

Ms. Lai Yeung Fun (黎樣歡) (“**Ms. Lai**”), aged 43, has over 19 years of experience in financial management, accounting and auditing work. Ms. Lai is currently the chief financial controller and company secretary of Putian Communication Group Limited, whose shares are listed on the Main Board of The Stock Exchange (Stock code: 1720). Ms. Lai worked in Nexia Charles Mar Fan & Co. from July 2003 to December 2004, and she last served as senior audit assistant. She worked in PricewaterhouseCoopers Ltd from January 2005 to October 2009, and her last position was senior associate. She served as the company secretary of China Grand Forestry Green resources Group Limited (currently known as China Sandi Holdings Ltd.), whose shares are listed on the Main Board (stock code: 0910) and principal business was forestry business, from March 2010 to September 2010. She then joined Kingston Securities Limited in September 2010 and served as senior accounting manager until April 2011. She worked in Champ Universe Limited, a wholly owned subsidiary of Media Asia Group Holdings Limited, an entertainment service provider in Asia whose shares are listed on the GEM (stock code: 8075), from August 2011 to August 2016, and she last served as deputy financial controller. Ms. Lai then joined TFI Digital Media Limited in August 2016 and served as financial controller until April 2017.

Ms. Lai obtained a degree of master of science in corporate governance & compliance from the Hong Kong Baptist University in November 2019. Ms. Lai graduated from the City University of Hong Kong with a bachelor degree in accountancy in November 2003. She was admitted as a member of Association of Chartered Certified Accountants in June 2009. She currently is a member of Hong Kong Institute of Certified Public Accountants. Ms. Lai has also been admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in March 2020.

Mr. Zhong Weifeng (鐘偉鋒)

Mr. Zhong Weifeng (鐘偉鋒)(“**Mr. Zhong**”), aged 52, has over 28 years of experience in the telecommunications industry. Mr. Zhong is currently the chief executive officer of Montnets International Communications (HK) Co., Limited, a subsidiary of 夢網雲科技集團股份有限公司 whose shares are listed on Shenzhen Stock Exchange (Stock code: 002123.SZ). Mr. Zhong joined China Mobile Group Guangdong Co., Ltd. (中國移動通信集團廣東有限公司)(“**China Mobile Guangdong**”) at the Guangzhou branch office from December 1993 to September 2012, where he served different positions including a local branch manager, the general manager of the engineering construction department, the general manager of the marketing department. From April 2011 to September 2012, he was the manager of the wireless city promotion office, the deputy general manager of government and enterprise customer department and an expert manager at China Mobile Guangdong. He then became the deputy general manager of the Foshan branch office of China Mobile Guangdong in September 2012, and subsequently the deputy general manager of the Guangzhou branch office of China Mobile Guangdong in April 2015. From August 2016 to November 2021, he worked as the chief marketing officer of China Mobile Hong Kong Company Limited.

Mr. Zhong obtained a bachelor’s degree in power engineering from the South China University of Technology in July 1993, and further obtained a degree of executive master of business administration from the University of Hong Kong in November 2008.

Mr. Zhang Lu Fu (張魯夫)

Mr. Zhang Lu Fu (張魯夫) (“**Mr. Zhang**”), aged 65, has had the experience of working for the Chinese government since 1987 including the Xin Hua News Agency branch in Hong Kong (Liaison Office of the Central People’s Government in Hong Kong). Since 2000, Mr. Zhang has worked for a number of Hong Kong listed companies and charitable organisations on a full-time and part-time basis in the capacity such as chief representative of Chinese affairs, Chinese affairs consultant, chief secretary for Chinese affairs and chief executive. Mr. Zhang has been the director-general of the Friends of Hong Kong Association, a member of the 4th Shenzhen Committee of the Chinese People’s Political Consultative Conference since 2008. In 2011, Mr. Zhang was employed by the Hong Kong Academy of Management and the Hong Kong Financial Services Institute as a professor on a part-time basis. Further, he has been serving as the council member of the China Overseas Friendship Association since 2013 and the executive director of Guangdong Overseas Friendship Association since 2015 as well as the council member of the Shenzhen Overseas Friendship Association since 2017. Mr. Zhang was appointed as an independent non-executive director of Kingboard Laminates Holdings Limited, whose shares are listed on the Main Board of The Stock Exchange (Stock code: 1888) in January 2015. He was also appointed as an independent non-executive director of Sino Biopharmaceutical Limited, whose shares are listed on the Main Board of The Stock Exchange (Stock code: 1177) in April 2015 and as an independent non-executive director of CT Environmental Group Limited, whose shares were listed on the Main Board of The Stock Exchange (Stock code: 1363) in January 2018.

Mr. Zhang holds a Master’s degree in Philosophy from the Beijing Normal University and is a research associate thereat.

INFORMATION OF THE INVESTORS

GSC

GSC is a company incorporated in the Republic of the Marshall Islands with limited liability and is an investment holding company which will have no interest in any investment other than the Subscription Shares to be subscribed by GSC upon Completion. As at the Latest Practicable Date, GSC is wholly owned by TGM, which in turn is wholly owned by Dr. Chuang. Dr. Chuang is the sole director and sole beneficial owner of each of GSC and TGM.

Dr. Chuang Tze Cheung Christopher (莊紫祥)

Dr. Chuang, aged 54, has over 18 years of experience in the payment and fintech industry in the PRC, Hong Kong and Southeast Asia. He is currently a director of IATS Holding Limited which, together with its subsidiaries, provides payment and fintech services in the PRC and Hong Kong. Prior to entering the payment and fintech industry, Dr. Chuang accumulated experiences in accounting, auditing and financial management from various companies such as PricewaterhouseCoopers, KPMG and Trasy Gold Ex Limited (now known as Global Mastermind Holdings Limited), a company listed on GEM of The Stock Exchange (Stock code: 8063), where Dr. Chuang was appointed as the chief executive officer during the period from January 2004 to July 2005 and qualified accountant during the period from March 2004 to July 2005.

Dr. Chuang has also assumed multiple social positions, such as being the executive vice president and the permanent honorary president of General Association for the Peaceful Development of the Two Sides of Straits (兩岸和平發展聯合總會常務副理事長／兩岸和平發展聯合總會永遠名譽主席) since May 2016 and September 2017 respectively, the director of China Strategy Culture Promotion Association (中國戰略文化促進會理事) since September 2016, the permanent honorary president of HKCPPCC (Provincial) Members Association Foundation Limited (港區省級政協委員聯誼會基金有限公司永遠名譽會長) since July 2018 and a member of the Seventh Shenzhen Committee of the Chinese People's Political Consultative Conference (政協深圳市第七屆委員會委員) since April 2021.

Dr. Chuang graduated from the University of East Anglia, United Kingdom with a Bachelor of Science degree in July 1992 and obtained an Honorary Doctorate (Honorary Doctor of philosophy) in finance from the Lincoln University College, Malaysia in April 2020. He is also a qualified accountant and has been a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants since May 1997 and January 1998, respectively.

Each of the Investors is an Independent Third Party.

INTENTION OF THE INVESTORS

The Investors intend to continue the principal business of the Retained Group and have no intention to dispose of the Company's businesses immediately after Completion. Following Completion, the Investors will conduct a detailed review of the business operations and financial position of the Retained Group for the purpose of formulating business plans and strategies for the future business development of the Retained Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Investors may consider diversifying the business of the Retained Group with an objective to broaden its income source. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Investors entered into any agreements, arrangements, understandings, intention or negotiation in relation to injecting any assets or business into the Retained Group. As at the Latest Practicable Date, the Investors had not entered into any agreement, arrangements, understandings, intention or negotiations in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Retained Group, or termination or scaling-down of any of the Retained Group's business.

Save for the intentions of the Investors regarding the Retained Group as set out above, the Investors have no intention to make material changes to the business of the Retained Group, to discontinue the employment of any employees (save for the proposed changes to the Board as set out above) or to dispose of or re-deploy any fixed assets of the Retained Group other than those in its ordinary course of business.

TAKEOVERS CODE IMPLICATIONS

Whitewash Waiver

As at the Latest Practicable Date, the Investors Concert Group did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the Company has 2,859,942,965 issued Shares. The Company does not have any other issued securities other than such Shares. Assuming that (i) the Capital Reorganization has become effective; (ii) the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares at Completion has taken place; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the Capital Reorganization and the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares), the Investors will be interested in 21,449,572,237 New Shares, representing 75% of the Enlarged Issued Share Capital.

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares, the Placing Shares and the Creditors' Shares at Completion, the Investors 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 the Investors Concert Group unless the Whitewash Waiver is granted by the Executive and the approval by 75% of the Independent Shareholders by way of poll is obtained in accordance with the Takeovers Code.

In this regard, an application has been made by the Investors to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the transactions contemplated under the Restructuring Agreement, in which the Investors Concert Group and those who are involved in or interested in the proposed Restructuring or the Whitewash Waiver (including Mr. Jiang and his associates, and Donghai) will abstain from voting on the relevant resolution(s).

The Whitewash Waiver may or may not be granted by the Executive. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Restructuring will not proceed. The Company notes that the Executive may not grant the Whitewash Waiver if the Restructuring does not comply with applicable rules and regulations. The Company is not aware of any matters that will result in the Restructuring not being compliant with any applicable rules and regulations.

Immediately after the Capital Reorganization having become effective and completion of the Subscription, the Placing and the Hong Kong Scheme, the Investors would hold more than 50% of the Enlarged Issued Share Capital; as a result, the Investors may increase their shareholdings of the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeover Code.

As at the Latest Practicable Date, the Company believes that the transactions contemplated under the Restructuring Agreement, the grant of the Specific Mandates, the Whitewash Waiver, the Special Deal and the proposed appointment of Directors would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if such transactions do not comply with other applicable rules and regulations.

Special Deal

Based on the records available to the Company, as at the Latest Practicable Date, Donghai Investment Fund Series SPC, acting on behalf and for the accounts of Donghai Overseas Stable Income Fund SP (“**Donghai**”) holds 77,380,000 Shares, representing approximately 2.7% of the issued share capital of the Company. Based on the records available to the Company, Donghai is a Creditor, and subject to adjudication by the Scheme Administrators upon the Hong Kong Scheme taking effect, Donghai may also be a Scheme Creditor.

As the proposed settlement of the indebtedness to Donghai under the Hong Kong Scheme is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code. As such, the Special Deal requires consent of the Executive. An application has been made to the Executive for the consent to proceed with the Special Deal under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (a) a letter of advise from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders publicly stating in its opinion that the respective terms of the Special Deal is fair and reasonable; and (b) approval of the Special Deal by the Independent Shareholders at the EGM, in which the Investors Concert Group, Mr. Jiang and his associates, Donghai and any Creditors who is Shareholder will be required to abstain from voting in respect of the resolution to approve the Special Deal.

Save as disclosed above, as at the Latest Practicable Date, none of the Creditors is a Shareholder.

The Restructuring will not proceed unless consent to the Special Deal by the Executive is obtained and the resolution relating to the Special Deal has been approved by the Independent Shareholders.

Uncertainty about financial information

The Liquidator wishes to highlight that the auditors of the Company, ZHONGHUI ANDA, expressed a disclaimer of opinion on the Group’s consolidated financial statements for each of the three years ended 31 December 2021. Amongst other things, the Auditors do not express an opinion on the consolidated financial statements of the Group. In the circumstances, there is uncertainty about the financial information published by the Company and the Shareholders and the potential investors are advised to take into account such disclaimers before voting at the EGM. Please refer to the section headed “3. Disclaimer of Opinion” in Appendix I to this circular for details.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganization, the Subscription Shares, the Placing Shares and the Creditors' Shares on the Stock Exchange. No application will be made by the Company for the listing of, and permission to deal in, any of the New Shares arising from the Capital Reorganization, the Subscription Shares, the Placing Shares and the Creditors' Shares on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the New Shares, the Subscription Shares, the Placing Shares and the Creditors' Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Capital Reorganization, the Subscription, the Placing and the Hong Kong Scheme becoming effective, the New Shares, the Subscription Shares, the Placing Shares and the Creditors' Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares, the Subscription Shares, the Placing Shares and the Creditors' Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the entering into of the Framework Agreement, the Restructuring Agreement, and the Subscription Agreement, the Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

Specific Mandates

As the Subscription Shares, the Placing Shares and the Creditors' Shares will not be issued under the authority of currently available general mandate granted by the Shareholders to the Directors, and instead will be allotted and issued under the Specific Mandates to be obtained at the EGM, the allotment and issue of such Subscription Shares, Placing Shares and Creditors' Shares is subject to the Independent Shareholders' approval.

Exceptional circumstances for Rule 7.27B

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. In view of the insolvent financial position and the liquidation status of the Company as well as the prolonged Trading Suspension, the closing price of the Shares on the Last Trading Day does not reasonably reflect the existing condition of the Company and the financial position of the Company could be considered as an exceptional circumstance under Rule 7.27B of the Listing Rules. Accordingly, the Liquidators and the Directors consider it is fair and reasonable for (i) the Subscription Price, the Placing Price and the Issue Price to be set at a relatively deep discount to the historical trading prices of the Shares; and (ii) the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors' Shares in aggregate would result in a relatively significant theoretical dilution effect of approximately 87.7%.

The Company has considered other alternative fund-raising methods such as equity and debt financing but has not been able to solicit any other investor given the distressed conditions of the Company and in particular that the Company has been placed in liquidation and its Shares has been suspended from trading since 5 May 2022, and the Group has an unaudited negative shareholders' equity exceeding HK\$500 million as at 30 June 2022 (please refer to Appendix I to this circular).

The Liquidators have considered the terms of subscriptions in similar transactions undertaken by distressed companies listed on the Stock Exchange in negotiating and bargaining the terms of the Subscription which appear to be similar to the terms of similar transactions. The Liquidators have not received any other offer or proposal from any other investor to rescue the Company from its liquidation.

EGM

The EGM will be held by the Company at Units 1405-1407, Dominion Centre, 43-59 Queen's Road East, Wan Chai, Hong Kong on Friday, 30 December 2022 at 10:00 a.m., to consider and if thought fit, approve (i) the Restructuring Agreement and the transactions contemplated thereunder; (ii) the Specific Mandates; (iii) the Whitewash Waiver; (iv) Special Deal; (v) appointment of Directors and (vi) any other matters as required by law, the Listing Rules, the Takeovers Code, the Stock Exchange and/or the SFC, which are necessary to give effect to any transactions contemplated under the Restructuring Agreement.

The passing of the resolution(s) in relation to the Restructuring Agreement and the transactions contemplated thereunder (except the Capital Reorganization and the Whitewash Waiver), the Specific Mandates, the Special Deal and the appointment of Directors shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the EGM by poll. In addition, the passing of the relevant resolution in relation to the Whitewash Waiver shall require the approval of at least 75% of the votes cast by the Independent Shareholders at the EGM by poll.

Any Shareholder (or its associate) who was involved in or interested in the transactions contemplated under the Restructuring Agreement are required to abstain from voting at the EGM. Save for Mr. Jiang, Donghai, any Creditors, their respective associates, and the parties acting in concert with any of them who shall abstain from voting on the relevant resolutions to approve the Restructuring Agreement and the transactions contemplated thereunder (including the Capital Reorganization, the Subscription, the Group Reorganization, the Placing, and the Hong Kong Scheme and the Resumption), the Specific Mandates, the Whitewash Waiver, the Special Deal and the appointment of Directors, no Shareholder will be required to abstain from voting in respect of the resolutions at the EGM. There is no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting rights at the EGM.

An Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders on whether the Restructuring Agreement and the transactions contemplated thereunder, the Specific Mandates, the Whitewash Waiver and the Special Deal are fair and reasonable, and as to the voting of the relevant resolution(s). The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Restructuring Agreement and the transactions contemplated thereunder, the Specific Mandates, the Whitewash Waiver and the Special Deal at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours (i.e. Wednesday, 28 December 2022) before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

Voting on the resolutions at the EGM will be taken by poll. After the EGM, an announcement regarding the poll results will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinauton.com.hk).

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 21 December 2022 to Friday, 30 December 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all properly completed transfer forms for valid transfer(s) of Share(s) accompanied by the relevant share certificates must be lodged for registration with the Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 20 December 2022. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, 30 December 2022.

RECOMMENDATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 62 to 63 in this circular and the letter from the Independent Financial Adviser set out on pages 64 to 113 in this circular which contains its advice to the Independent Board Committee and Independent Shareholders (i) as to whether the Restructuring Agreement and the transactions contemplated thereunder, the Specific Mandates, the Whitewash Waiver and the Special Deal are fair and reasonable; and (ii) as to the voting of the relevant resolution(s) at the EGM in relation to the Restructuring Agreement and the transactions contemplated thereunder, the Specific Mandates, the Whitewash Waiver and the Special Deal, and the principal factors and reasons considered by it in arriving at its opinion.

The Liquidators consider that the Restructuring Agreement and the transactions contemplated therein (including the Capital Reorganization, the Subscription, the Group Reorganization, the Placing, the Hong Kong Scheme, the PRC Debt Arrangement and the Resumption) are in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution(s) at the EGM.

You are advised to read the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution(s) to be proposed at the EGM.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors should note that the implementation of the transactions contemplated under the Restructuring Agreement are subject to the fulfillment of various conditions and therefore may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the transactions contemplated under the Restructuring Agreement. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, immediately upon issuance of the Subscription Shares, the shareholding of the Investors Concert Group in the Company will exceed 50%. The Investors Concert Group may increase their shareholding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 3:00 p.m. on Wednesday, 5 May 2021 and will remain suspended pending fulfilment of the Resumption Guidance and any supplement or modification thereto. Further announcements will be made to provide further updates to the Shareholders and potential investors of the Company as and when appropriate.

WARNING:

The Shareholders and potential investors of the Company shall note that, in the event that the Company fails to satisfy all of the Resumption Guidance imposed by the Stock Exchange by 4 November 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status at its discretion.

Publication of this circular does not indicate any decision or conclusion of the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the resumption of trading of the Shares on the Stock Exchange.

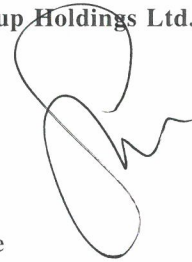
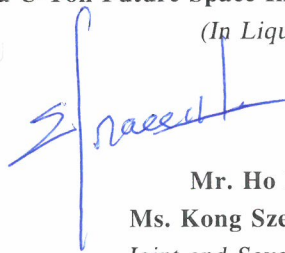
The release of this circular is not an indication that (a) the transactions contemplated under the Restructuring Agreement will be implemented and/or completed, or (b) the Resumption has been or will be approved, or (c) trading of the Shares will be resumed, or (d) the approval for the listing of the Subscription Shares, the Placing Shares and Creditors' Shares (if any) will be granted, or (e) the conditions precedent to the Restructuring pursuant to the Restructuring Agreement have been or will be fulfilled, or (f) Completion will take place. Trading of the Shares has been suspended since 5 May 2021 and will remain suspended until further notice.

Yours faithfully

For and on behalf of

China U-Ton Future Space Industrial Group Holdings Ltd.

(In Liquidation)



Mr. Ho Man Kit

Ms. Kong Sze Man Simone

Joint and Several Liquidators

Acting as agents only without personal liability