
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China U-Ton Future Space Industrial Group Holdings Ltd. (In Liquidation), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中国优通控股
China UT Holding

CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD. 中國優通未來空間產業集團控股有限公司

(In Liquidation)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6168)

- (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

Financial adviser to the Company



Financial adviser to the Investors
and Placing Agent



Independent financial adviser to the Independent Board Committee
and the Independent Shareholders



Capitalised terms in this cover have the same meanings as defined in the section headed "DEFINITIONS" in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 64 to 113 of this circular. A notice convening the EGM to be held at Units 1405-1407, Dominion Centre, 43-59 Queen's Road East, Wan Chai, Hong Kong, at 10:00 a.m., on Friday, 30 December 2022 is set out on pages EGM-1 to EGM-5. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof. In such event, your form of proxy will be deemed revoked.

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius or any individual who has any flu-like symptoms or is otherwise unwell may be denied entry into the EGM venue and be asked to leave the EGM venue to the extent permitted by the law.
- (ii) All Shareholders, proxies and other attendees that (a) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine) within the past seven (7) days; or (g) are, and have been, in close contact with anyone who has contracted COVID-19 within the past seven (7) days, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19, may be denied entry into the EGM venue and be asked to leave the EGM venue to the extent permitted by the law.
- (iii) All Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this and the abovementioned requirements may be denied entry into the EGM venue and be asked to leave the EGM venue to the extent permitted by the law. A safe distance between seats is also recommended.
- (iv) No distribution of corporate gift or refreshment will be provided at the EGM.

To the extent permitted under the law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM. Arrangement has been put in place to allow the Shareholders who are denied entry to the venue of the EGM to return the voting slips at the entrance of the venue of the EGM in order to vote. Therefore, Shareholders are strongly encouraged to appoint another person or the chairman of the EGM (who will be a disinterested and independent person) as their proxy to attend the EGM and vote on their behalf.

In the interest of all Shareholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the EGM in person, Shareholders are encouraged to consider appointing the chairman of the EGM (who will be a disinterested and independent person) as their proxy to vote on the relevant resolution at the EGM by submitting proxy forms with voting instructions inserted.

The proxy form can be downloaded from the Company's website at www.chinauton.com.hk and the Stock Exchange's website at www.hkexnews.hk. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or HKSCC), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Admitted Scheme Claim(s)”	all Claim(s) against the Company by the Creditors which have been admitted under the Hong Kong Scheme by the Scheme Administrators or the adjudicator (as the case may be)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Auditors” or “ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, the auditors of the Company
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday of the PRC and Hong Kong or day on which a typhoon signal No. 8 or above or black rainstorm signal is hoisted in Hong Kong at 10: 00 a.m.) on which banks in the PRC and Hong Kong are generally open for business
“Capital Reduction”	the proposed capital reduction of the Company involving the cancellation of paid up capital to the extent of HK\$0.099 on each of the Shares by reducing of the nominal value of all of the issued and unissued Shares from HK\$0.10 each to HK\$0.001 each
“Capital Reorganization”	the reorganization of the share capital of the Company by way of (i) the Capital Reduction and (ii) the Sub-division
“Cayman Court”	the Grand Court of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Mobile Group”	China Mobile Limited and its subsidiaries
“China Mobile Hebei”	China Mobile Group Hebei Co., Ltd. (中國移動通信集團河北有限公司), a wholly-owned subsidiary of China Mobile Limited

DEFINITIONS

“Claim(s)”	any debt, liability or obligation of the Company as at the Scheme Effective Date, whether known or unknown, whether actual or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute, in Hong Kong or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract, tort or bailment, any liability arising out of an obligation to make restitution, and any liability arising out of any legal claims, whether actual or contingent together with all interest on such debt, obligation or liability
“Companies Act”	Companies Act (2022 Revision) of the Cayman Islands, as consolidated and revised
“Companies Ordinance”	the Companies Ordinance (Cap. 622) of the Laws of Hong Kong as amended, supplemented or modified from time to time
“Company”	China U-Ton Future Space Industrial Group Holdings Ltd. 中國優通未來空間產業集團控股有限公司 (In Liquidation), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock code: 6168)
“Completion”	the completion of the Restructuring
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Creditors”	the creditors of the Company
“Creditors’ Share(s)”	the 2,859,942,965 New Shares to be issued and allotted as fully paid up by the Company to the Scheme Co under the Hong Kong Scheme, and each a “Creditors’ Share”
“Director(s)”	the director(s) of the Company
“Donghai”	Donghai Investment Fund Series SPC, acting on behalf and for the accounts of Donghai Overseas Stable Income Fund SP

DEFINITIONS

“Dr. Chuang”	Dr. Chuang Tze Cheung, Christopher, the sole director and sole beneficial owner of each of GSC and TGM
“EGM”	an extraordinary general meeting of the Company to be convened and held at Units 1405-1407, Dominion Centre, 43-59 Queen’s Road East, Wan Chai, Hong Kong at 10:00 a.m. on Friday, 30 December 2022 to consider and, if thought fit, approve, among others, (i) the Restructuring Agreement and the transactions contemplated thereunder; (ii) the Specific Mandates; (iii) the Whitewash Waiver; (iv) the Special Deal; (v) the 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
“Enlarged Issued Share Capital”	the total number of issued Shares upon Completion as enlarged by the allotment and issue of the Subscription Shares, the Placing Shares and the Creditors’ Shares
“Excluded Subsidiaries”	the subsidiaries of the Company to be transferred to the Scheme Co
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate
“Forensic Investigator”	Frank Forensic and Corporate Recovery Limited, the forensic investigator engaged by the Company on 12 October 2022 to conduct the Independent Forensic Investigation
“Framework Agreement”	the framework agreement dated 29 March 2022 entered into between the Company, the Investors and Mr. Jiang Changqing in relation to, among others, the Investors expressing its 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
“Group”	the Company and its subsidiaries
“Group Reorganization”	the reorganization of the Group involving, <i>inter alia</i> , the transfer of the Excluded Subsidiaries to the Scheme Co

DEFINITIONS

“GSC”	GSC Limited (formerly known as Harrod Invest Limited), a company incorporated in the Republic of the Marshall Islands with limited liability, which is beneficially wholly-owned by Dr. Chuang via TGM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Hong Kong Scheme”	the proposed scheme of arrangement pursuant to Section 670, 671, 673 and 674 of the Companies Ordinance and to be made between the Company and the Creditors
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Wang Haiyu, Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng, who have no direct or indirect interest in the Restructuring, established in accordance with the Takeovers Code to advise the Independent Shareholders on whether (i) the Restructuring Agreement and the transactions contemplated thereunder; (ii) the Specific Mandates; (iii) the Whitewash Waiver and (iv) the Special Deal are fair and reasonable; and as to the voting of the relevant resolution(s)
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO), and is the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Restructuring Agreement and the transactions contemplated thereunder; (ii) the Specific Mandates; (iii) the Whitewash Waiver and (iv) the Special Deal
“Independent Forensic Investigation”	the independent forensic investigation in relation to the Suspected Unauthorized Subscription

DEFINITIONS

“Independent Forensic Investigation Report”	the report produced by the Forensic Investigator in relation to the Suspected Unauthorized Subscription
“Independent Investigator”	WM Corporate Advisory Limited, the independent investigator engaged by the Company on 22 August 2022 to conduct the Specific Internal Control Review
“Independent Shareholder(s)”	Shareholder(s) (other than: (a) the Investors Concert Group; and (b) those Shareholders (other than in their capacity as a Shareholder) who are interested or involved in, the Restructuring Agreement and the transactions contemplated thereunder, the Specific Mandates, the Whitewash Waiver, the Special Deal, or the proposed appointment of Directors and their associates and parties acting in concert with any of them (including Mr. Jiang, his associates and Donghai)) who are permitted to vote at the EGM under the Listing Rules and the Takeovers Code
“Independent Third Party(ies)”	any person or company together and their respective ultimate beneficial owner(s), who, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Internal Control Consultant”	WM Corporate Advisory Limited, the internal control consultant engaged by the Company to conduct a comprehensive review of the internal control systems and procedures of the Company
“Investors”	GSC and Dr. Chuang
“Investors Concert Group”	the Investors, its/their ultimate beneficial owner(s) and parties acting in concert with any of them
“Issue Price”	approximately HK\$0.004662 per Creditors’ Share, being the issue price of each Creditors’ Share
“Last Trading Day”	5 May 2021, the last trading day before the suspension of trading in the Shares
“Latest Practicable Date”	29 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Liquidators”	Mr. Ho Man Kit and Ms. Kong Sze Man Simone, the joint and several liquidators of the Company, both of Maninvest Asia Limited acting without personal liability
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the first anniversary of the date of the Restructuring Agreement (i.e. 29 September 2023), or such later date as the parties to the Restructuring Agreement may agree in writing
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company, as amended from time to time
“Mr. Jiang”	Mr. Jiang Changqing, the chairman and an executive Director of the Company
“New Share(s)”	the new Share(s) following the Capital Reorganization of unissued shares becoming effective with a par value of HK\$0.001 each
“Petition”	the winding up petition against the Company presented to the Hong Kong Court by the Petitioner on 4 February 2021
“Petitioner”	LI Zhong
“Placing”	the proposed placing of not more than 5% of the enlarged total issued New Shares to the Independent Third Parties for not more than HK\$6.7 million upon Completion
“Placing Agent”	SPDB International Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO to be engaged by the Company, which will place the Placing Shares to the Independent Third Parties
“Placing Agreement”	the placing agreement to be entered into between the Company, the Liquidators and the Placing Agent in respect of the Placing
“Placing Price”	approximately HK\$0.004662 per Placing Share

DEFINITIONS

“Placing Share(s)”	up to 1,429,971,482 New Shares to be issued and allotted under the Placing
“PRC”	the People’s Republic of China but, for the purpose of this circular, excludes the Macau Special Administrative Region of the PRC, Hong Kong and Taiwan
“PRC Debt Arrangement”	not more than RMB26,000,000 (equivalent to approximately HK\$28,600,000) from the proceeds of the Subscription for settlement of the bank borrowing of the Company’s subsidiary in the PRC in order to fully and finally discharge all of the Company’s guaranteed liability in the PRC upon Completion
“Relevant Period”	the period from 4 October 2021, being the date six months before 4 April 2022, the date of announcement in relation to the Framework Agreement, up to and including the Latest Practicable Date
“Restructuring”	restructuring of the Group which includes (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the PRC Debt Arrangement; (vi) the Hong Kong Scheme; and (vii) the Resumption
“Restructuring Agreement”	the restructuring agreement dated 29 September 2022 and entered into amongst the Company, the Liquidators and the Investors in relation to the Restructuring
“Restructuring Expenses”	costs and expenses for the purpose of implementing the Restructuring, including the fees of the Liquidators, as well as the legal advisers, auditors, financial advisers, the investigators and internal control consultant of the Company, but excluding the professional fees of the Investor’s advisers
“Resumption”	resumption of trading of the Shares (or the New Shares if the Capital Reorganization has become effective) on the Stock Exchange

DEFINITIONS

“Resumption Guidance”	the resumption guidance issued by the Stock Exchange to the Company dated 7 July 2021 for the Resumption and the additional resumption guidance issued by the Stock Exchange to the Company dated 22 September 2022 (as supplemented or amended by the Stock Exchange from time to time)
“Resumption Proposal”	the proposal in relation to the Resumption submitted by the Company to the Stock Exchange on 7 October 2022
“Retained Group”	the Company and its subsidiaries upon the completion of the Group Reorganization
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.5 Announcement”	the joint announcement of the Company and GSC Limited dated 11 October 2022 in relation to the Restructuring, the Whitewash Waiver and the Special Deal
“Scheme Administrators”	any persons acting jointly and severally or their successors to be elected and appointed pursuant to the Hong Kong Scheme
“Scheme Assets”	the assets for distribution under the Hong Kong Scheme and to be held by the Scheme Co and realized by the Scheme Administrators in accordance with the terms of the Hong Kong Scheme
“Scheme Co”	a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators
“Scheme Creditors”	collectively, all the Creditors with Admitted Scheme Claims against the Company
“Scheme Effective Date”	the effective date of the Hong Kong Scheme
“Scheme Meeting”	the meeting(s) of the Creditors to be convened at the direction of the Hong Kong Court for the purpose of considering and, if thought fit, approving the Hong Kong Scheme
“SFC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Registrar”	Tricor Investor Services Limited, the share registrar of the Company
“Shareholder(s)”	holder(s) of the Share(s) or the New Share(s)
“Special Deal”	the proposed settlement of the indebtedness to Donghai under the Hong Kong Scheme, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Investigation Committee”	the special investigation committee comprising Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng, both being independent non-executive Directors, and Mr. Mok Kwan Leong, an executive Director, established by the Board on 22 August 2022 to conduct investigation into the Suspected Unauthorized Subscription
“Specific Internal Control Review”	the independent investigation on the Suspected Unauthorized Subscription which includes the review and assessment of the corporate internal control system and internal review and inquiry into accounts, documents, records and affairs of the Group in relation to the Suspected Unauthorized Subscription
“Specific Internal Control Review Report”	the report produced by the Independent Investigator in relation to its findings from the Specific Internal Control Review
“Specific Mandates”	the specific mandates to be granted to the Directors by the required majority of the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares, the Creditors’ Shares and the Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorized but unissued Share into 100 authorized and unissued New Shares

DEFINITIONS

“Subscription”	the subscription by the Investors of the Subscription Shares pursuant to the terms and conditions of the Restructuring Agreement and the Subscription Agreement
“Subscription Agreement”	the share subscription agreement entered into on 24 November 2022 by the Company, the Liquidators and the Investors in relation to the Subscription
“Subscription Amount”	the total subscription amount of approximately HK\$100,000,000 payable by the Investors to the Company for the Subscription
“Subscription Price”	the subscription price of approximately HK\$0.004662 per Subscription Share
“Subscription Share(s)”	21,449,572,237 New Shares to be subscribed by the Investors under the Subscription
“Suspected Unauthorized Subscription”	the incident where Xin Jiang Bo Run Investment Holdings Group Limited* (新疆博潤投資控股集團有限公司)(formerly known as Xin Jiang Bo Run Investment Holdings Limited* (新疆博潤投資控股有限公司)) alleged that the subscription of Shares on 21 August 2020 was unauthorized, and which has been disclosed in the announcement of the Company dated 16 September 2022
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“TGM”	TGM Groups Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which owns the entire issued share capital of GSC, and is wholly-owned by Dr. Chuang
“Trading Suspension”	the suspension of trading in the Shares since 5 May 2021
“Whitewash Wavier”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Investors to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Investors Concert Group as a result of Completion (including completion of the Subscription)

* *The English translation is for reference only*

DEFINITIONS

“Winding Up Order”	the winding up order made by of the Hong Kong Court against the Company on 5 May 2021
“Winding Up Proceedings”	the Companies (Winding-Up) Proceedings No.57 of 2021 in the Hong Kong Court
“Working Capital”	working capital for the Company in the amount of HK\$13,700,000
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.10.

EXPECTED TIMETABLE

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Restructuring. All references to time in the above timetable are references to Hong Kong time unless otherwise stated.

Event

Latest time for lodging transfers of the Shares in order to be qualified for attending and voting at the EGM	4:30 p.m. on Tuesday, 20 December 2022
Register of members closes (both days inclusive)	Wednesday, 21 December – Friday, 30 December 2022
Latest time for return of proxy form for the EGM by way of poll	10:00 a.m. on Wednesday 28 December 2022
Record date for attendance and voting at the EGM by way of poll	Friday, 30 December 2022
EGM by way of a poll	10:00 a.m. on Friday, 30 December 2022
Announcement of the result of the EGM	Before 7:00 p.m. on Friday, 30 December 2022
Hong Kong Court's first hearing for convening a Creditors' meeting	8 February 2023
<p>The following events are conditional on (i) the results of the EGM and the relevant court hearings; (ii) the fulfillment of the conditions for the implementation of the Capital Reorganization and the conditions of the Restructuring, therefore, the dates are tentative:</p>	
Creditors' meeting to approve the Hong Kong Scheme	15 March 2023 ^{Note 2}
Hong Kong Court's second hearing for sanctioning the Hong Kong Scheme	19 April 2023 ^{Note 2, 3}

EXPECTED TIMETABLE

Expected effective date of the Capital Reduction and the Sub-division	21 April 2023	<i>Note</i> ³
Commencement of dealing in the New Shares	21 April 2023	<i>Note</i> ³
First day for free exchange of existing share certificates for new share certificates for the New Shares	21 April 2023	<i>Note</i> ³
Taking effect of the Hong Kong Scheme and issuance of Creditors' Shares and dispatch of certificates for the Creditors' Shares to be held by Scheme Administrator on behalf of the Scheme Creditors	21 April 2023	<i>Note</i> ³
Completion of the Subscription and issuance of Subscription Shares and dispatch of certificates for the Subscription Shares to the Investors	21 April 2023	<i>Note</i> ³
Completion of the Placing and issuance of Placing Shares and dispatch of certificates for the Placing Shares to the Independent Third Parties	21 April 2023	<i>Note</i> ³
Completion of all the Resumption conditions and publication of an announcement relating to the Resumption	21 April 2023	<i>Note</i> ³
Taking effect of the order of the Hong Kong Court for the permanent stay of the Winding up Proceedings and the discharge of the Liquidators	21 April 2023	<i>Note</i> ³
Resumption and dealings in the New Shares (including the Subscription Shares, Placing Shares and Creditors' Shares)	21 April 2023	<i>Note</i> ³
Designated broker starts to stand in the market to provide matching services for the sale and purchase of the odd lots of the New Shares	21 April 2023	<i>Note</i> ³
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of the odd lots of the New Shares	12 May 2023	<i>Note</i> ³
Last day for free exchange of existing share certificates for new share certificates for the New Shares	31 May 2023	<i>Note</i> ³

EXPECTED TIMETABLE

Notes:

- (1) The Capital Reorganization has been approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 27 June 2022 and sanctioned by the Cayman Court on 22 November 2022 (Cayman Islands time), and it is still subject to fulfilment of other conditions including (i) the Stock Exchange granting the listing of, and permission to deal in, the New Shares allotted and issued following the Capital Reorganization, the Subscription, the Placing and the issuance of the Creditors' Shares; and (ii) compliance with the relevant procedures and requirements under Cayman Islands laws to effect the Capital Reorganization.
- (2) Subject to an order being granted by the Hong Kong Court at the first Hearing on 8 February 2023 for directions to convene the Creditors' meeting, the Creditors' meeting is expected to be held on 15 March 2023 and the Company will apply to fix a date for the second hearing for sanctioning the Hong Kong Scheme as soon as possible thereafter.
- (3) As the Hong Kong Scheme is conditional on the approval from the Hong Kong Court, additional time may be required for compliance with regulatory requirements in Hong Kong and/or with any requirements imposed by the Hong Kong Court. The Company will notify the Shareholders of the timetable of the Hong Kong Scheme by way of announcement(s) as and when appropriate.

The timetable is tentative only. 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. Shareholders are advised to exercise caution when dealing in the Shares.

Any consequential changes to the expected timetable will be published or notified to the Shareholders appropriately by way of announcements on the Company's website and/or the Stock Exchange's website.

LETTER FROM THE LIQUIDATORS



中国优通控股
China UT Holding

CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD. 中國優通未來空間產業集團控股有限公司

(In Liquidation)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6168)

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.

LETTER FROM THE LIQUIDATORS

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

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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.

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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;

LETTER FROM THE LIQUIDATORS

- (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;

LETTER FROM THE LIQUIDATORS

(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);

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- (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.

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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).

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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

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- (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

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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.

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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.

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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

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- (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.

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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.

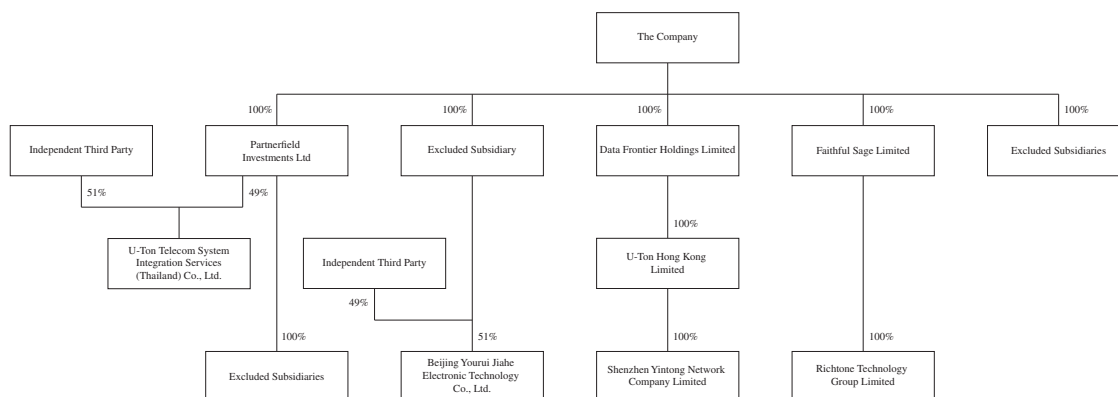
Upon the completion of the Group Reorganization, the Retained Group will continue to be operating through its subsidiaries the following core businesses, namely (a) fiber optic deployment and maintenance services, and (b) environmental intelligence technology products and services.

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.

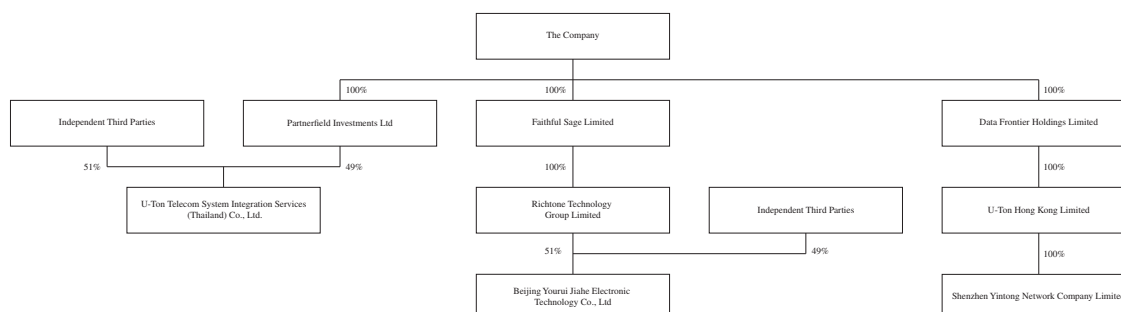
LETTER FROM THE LIQUIDATORS

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:



LETTER FROM THE LIQUIDATORS

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;

LETTER FROM THE LIQUIDATORS

- (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;

LETTER FROM THE LIQUIDATORS

- (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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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).

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中国优通控股
China UT Holding

CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD.
中國優通未來空間產業集團控股有限公司

(In Liquidation)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6168)

2 December 2022

To the Independent Shareholders

Dear Sir or 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; AND
(3) SPECIAL DEAL

We refer to the circular of the Company dated 2 December 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee ^{Note} to consider the terms of 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), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal and to advise you as to whether, in our opinion, the terms of the Restructuring Agreement and the transactions contemplated therein, the grant of the Specific Mandates, the Whitewash Waiver and

Note: Pursuant to the Memorandum and Articles of Association, the Board may delegate any of its powers to committees consisting of such members of them as it thinks fit. At the material times, the Board has power to appoint the Independent Board Committee notwithstanding the liquidation in Hong Kong whose appointment has also been accepted by the Liquidators.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned and as to voting. INCU Corporate Finance Limited has been appointed, with our approval, as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Restructuring Agreement and the transactions contemplated thereunder (including Capital Reorganization, the Subscription, the Group Reorganization, the Placing, the Hong Kong Scheme, the PRC Debt Arrangement and the Resumption), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the Letter from the Independent Financial Adviser on pages 64 to 113 of the circular.

We also wish to draw your attention to (i) the letter from the Liquidators and (ii) the additional information set out in the appendices to the Circular.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we consider that the terms of 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), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Restructuring Agreement and the transactions contemplated thereunder (including the Capital Reorganization, the Subscription, the Group Reorganization, the Placing, the Hong Kong Scheme, the PRC Debt Arrangement and the Resumption), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal.

Members of the Independent Board Committee

Wang Haiyu

*Independent non-executive
Director*

Mok Hon Kwong Thomas

*Independent non-executive
Director*

Ma Yu-heng

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Restructuring Agreement and the transaction contemplated thereunder (including the Capital Reorganization, Subscription, Group Reorganization, the Placing, the Hong Kong Scheme, the PRC Debt Arrangement and the Resumption), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal.



INCU Corporate Finance Limited
Unit 1402, 14/F, Winsome House,
73 Wyndham Street,
Central, Hong Kong

2 December 2022

*To: The Independent Board Committee and the Independent Shareholders of
China U-Ton Future Space Industrial Group Holdings Ltd. (In Liquidation)*

Dear Sirs or Madams,

**(1) RESTRUCTURING AGREEMENT IN RELATION TO
THE 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) APPLICATION FOR WHITEWASH WAIVER; AND
(3) SPECIAL DEAL**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Restructuring Agreement and the transactions contemplated thereunder (including (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the Hong Kong Scheme; (vi) the PRC Debt Arrangement; and (vii) the Resumption), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal, details of which are set out in the letter from the liquidators (the “**Letter from the Liquidators**”) contained in the circular of the Company dated

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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.

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. The Company failed to despatch the 2020 annual report on 15 May 2021 but the Company published and despatched the Group’s 2020 annual report, 2021 interim report, 2021 annual report and 2022 interim report on 11 November 2022. 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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 amount of HK\$10 million of the Loan has been drawn down on 28 June 2022.

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 in relation to, among other things, the Capital Reorganization. As part of the proposed Restructuring, the Company proposed to implement the Capital Reorganization, which comprises: (a) the Capital Reduction involving the reduction of the par value of each issued Share from HK\$0.10 to HK\$0.001 by cancelling the paid up share capital to the extent of HK\$0.099 per issued Share so that following such reduction, each issued Share with a par value of HK\$0.10 in the share capital of the Company shall become one New Share with a par value of HK\$0.001; and (b) the Sub-division immediately following the Capital Reduction becoming effective, such that each authorized but unissued Share with a par value of HK\$0.10 will be sub-divided into 100 authorized but unissued New Shares with a par value of HK\$0.001 each. Upon the Capital Reorganization becoming effective, 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.

The Capital Reorganization was duly approved by the Shareholders at the extraordinary general meeting of the Company held on Monday, 27 June 2022. For the purposes of effecting the Capital Reorganization, 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.

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 which involves (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the Hong Kong Scheme; (vi) the PRC Debt Arrangement; and (vii) the Resumption.

Subject to the terms and conditions of the Restructuring Agreement and the Subscription Agreement entered into on 29 September 2022 and 24 November 2022 respectively, 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 issuance of the Subscription Shares, the Placing Shares and the Creditors’ Shares at Completion. The Subscription Shares will be allotted and issued under the Specific Mandates to be sought for approval from the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Restructuring Agreement, the Group Reorganization shall involve the transfer of the Excluded Subsidiaries to the Scheme Co at nominal consideration upon Completion. Upon the completion of the Group Reorganization, the Retained Group will continue operating through its subsidiaries the following businesses, (a) fiber optic deployment and maintenance services; and (b) environmental intelligence technology products and services.

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 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, which shall be used for the working capital of the Retained Group after deduction of costs and expenses.

Pursuant to the Restructuring Agreement, the Company proposes to restructure its debts through the Hong Kong Scheme and the PRC Debt Arrangement. 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, and such Claims and liabilities shall be accepted and assumed by the Scheme Co. As part of the Hong Kong Scheme, the Company proposes to (i) transfer (a) the Excluded Subsidiaries; (b) the balance of the Subscription Amount after deducting the Restructuring Expenses, Working Capital and the PRC Debt Arrangement; (c) 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 (d) all claims or litigations and all potential claims or litigation rights of the Retained Group against third parties to the Scheme Co, and (ii) issue and allot 2,859,942,965 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). For the purposes of effecting the Hong Kong Scheme, the Liquidators will apply to the Hong Kong Court (i) for leave to convene the Scheme Meeting and (ii) for sanction of the Hong Kong Scheme. Further details of these applications and the hearing dates will be announced in due course. The PRC Debt Arrangement shall be implemented upon Completion such that not more than RMB26,000,000 (equivalent to approximately 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Letter from the Liquidators, as the Subscription Shares, the Placing Shares and the Creditors' Shares 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. 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 suspension of the trading in the Shares on the Stock Exchange, 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%.

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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 votes cast by the Independent Shareholders at the EGM by way of poll 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 and the Whitewash Waiver (including Mr. Jiang, his associates and Donghai) will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. Completion of the Restructuring 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.

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 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) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Haiyu, Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng, in compliance with Rule 2.8 of the Takeovers Code has been established to advise the Independent Shareholders in respect of the terms of the Restructuring Agreement and 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 so far as the Independent Shareholders are concerned and as to voting, taking into account our recommendation.

OUR INDEPENDENCE

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement, the Restructuring Agreement and 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 so far as the Independent Shareholders are concerned and as to voting, taking into account our recommendation. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years, we did not act as financial adviser or independent financial adviser to the other transactions of the Company and the Investors. We are independent from, and are not associated with the Company, the Investors, or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder, no arrangement exists whereby we will receive any fees or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as relevant to our independence. Accordingly, we are considered eligible to give independent advice in respect of the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal to the Independent Board Committee and the Independent Shareholders in accordance with Rule 2.1 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Directors, the Liquidators and the Investors. We have assumed that all statements, information and representations provided by the Directors, the Liquidators and the Investors are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Pursuant to the Memorandum and Articles of Association, the Board may delegate any of its powers to committees consisting of such members of them as it thinks fit. Although the powers of the Directors have been fully taken over by the Liquidators, the Board has the power to appoint the Independent Board Committee notwithstanding the liquidation in Hong Kong whose appointment has also been accepted by the Liquidators.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors, the Liquidators and the Investors in this Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Circular, or the reasonableness of the opinions expressed by the Directors, the Liquidators and the Investors, which have been provided to us.

Your attention is drawn to the responsibility statements as set out in the paragraph headed “1. Responsibility statement” under the section headed “Appendix III General information” in this Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Shareholders as a result of the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Shareholders will be notified of any material changes to such statements, information, opinions and/or representation as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

General information of the Group

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 in the PRC (“**Optical Fibers Business**”); and (b) environmentally intelligent technical products and services in the PRC (“**IT Products and Services**”).

Trading in the Shares on the Stock Exchange has been suspended since 5 May 2021 due to the Winding Up Order. References are made to the announcements of the Company dated 8 July 2021 and 27 September 2022. The Stock Exchange has imposed on the Company the following Resumption Guidance:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (b) demonstrate its compliance with Rules 13.24, 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules;
- (c) having the Winding Up Order against the Company withdrawn or dismissed and Liquidators (provisional or not) discharged;
- (d) announce all material information for the Shareholders and other investors to appraise the Company’s position;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) conduct an independent forensic investigation into the Suspected Unauthorized Subscription, announce the findings and take appropriate remedial action; and
- (f) 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 Stock Exchange further indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes. As the Company has not satisfied all of the Resumption conditions 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. The Company has been taking steps and formulating a viable resumption proposal to fully comply with the Resumption Guidance 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 for 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. The updates on the fulfillment of the Resumption Guidance are set out in the paragraph headed "7. Resumption" in the Letter from the Liquidators. As at the Latest Practicable Date, the Company has fulfilled most of the conditions in the Resumption Guidance.

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.

Suspected Unauthorized Subscription

As disclosed in the announcement of the Company dated 16 September 2022, the Company (through its representatives or its subsidiary) was made aware on 5 July 2022 that, Xin Jiang Bo Run Investment Holdings Group Limited* (新疆博潤投資控股集團有限公司)(formerly known as Xin Jiang Bo Run Investment Holdings Limited* (新疆博潤投資控股有限公司)) alleged that the subscription of the shares of the Company by itself on 21 August 2020 was unauthorized.

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To investigate into the Suspected Unauthorized Subscription, the Special Investigation Committee has been established by the Board; the Forensic Investigator and the Independent Investigator have been engaged; and the Independent Forensic Investigation Report and the Specific Internal Control Review Report have been produced and submitted to the Special Investigation Committee. The Special Investigation Committee has reviewed the Independent Forensic Investigation Report (including the limitations of the Independent Forensic Investigation) and the Specific Internal Control Review Report (including the limitations of the Specific Internal Control Review). After due and detailed discussion, the Special Investigation Committee is of the view that the content and findings in the Independent Forensic Investigation Report and the Specific Internal Control Review Report are reasonable and acceptable. Accordingly, the Special Investigation Committee has recommended the Board to adopt the findings of the Independent Forensic Investigation and the Specific Internal Control Review and replace the management of the Group with professionals with relevant experience as soon as practicable.

The Board has reviewed the Independent Forensic Investigation Report and the Specific Internal Control Review Report and considered the recommendations made by the Special Investigation Committee. The Board agreed with the views of the Special Investigation Committee and has resolved that these recommendations be implemented as soon as practicable.

The Board is of the view that the issues identified in the Independent Forensic Investigation Report and the Specific Internal Control Review Report do not have material adverse impact on the business operations of the Retained Group. Despite the likely change in management personnel, the Group's business operations continue as usual despite the suspension of trading in the Shares since 5 May 2021.

Since April 2021, the Group has been communicating with the relevant police and judiciary authorities regarding the suspected misappropriation of the subscription amount by Ms. Guo Yezi. To the best knowledge of the Company, the case was still under investigation of the relevant authorities as at the Latest Practicable Date. The Company has also issued letters through its legal representatives to relevant parties to make enquiries. As at the Latest Practicable Date, the Company is not involved in any material litigation in relation to the Suspected Unauthorized Subscription.

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Financial information of the Group

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2020 (“**FY2020**”) and 31 December 2021 (“**FY2021**”) and the six months ended 30 June 2021 (“**HY2021**”) and 30 June 2022 (“**HY2022**”) respectively as extracted from the annual report for the year ended 31 December 2021 (the “**Annual Report 2021**”) and the interim report for the six months ended 30 June 2022 (the “**Interim Report 2022**”):

	FY2020 <i>(RMB'000)</i> audited	FY2021 <i>(RMB'000)</i> audited	HY2021 <i>(RMB'000)</i> unaudited	HY2022 <i>(RMB'000)</i> unaudited
Revenue				
Optical Fibers Business	28,100	34,733	4,865	23,498
IT Products and Services	<u>3,281</u>	<u>24,499</u>	<u>376</u>	<u>3,297</u>
Total revenue	31,381	59,232	5,241	26,795
Operating profit/(loss)	(713,245)	6,211	(3,736)	(3,849)
Net loss attributable to owners of the Company	(678,796)	(23,367)	(18,583)	(39,104)

Set out below is the financial performance of the Optical Fibers Services segment for HY2022 extracted from the Interim Report 2022:

	HY2022 <i>RMB'000</i> (unaudited)
Segment revenue	
– <i>The PRC including Hong Kong (Note)</i>	19,436
– <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.

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FY2021 compared to FY2020

According to the Annual Report 2021, the Group's revenue for FY2021 was approximately RMB59,232,000, representing an increase of approximately RMB27,851,000 or 88.8%, compared to the revenue of approximately RMB31,381,000 for FY2020. As shown in the above table, both Optical Fibers Business and IT Products and Services contributed the increase in the revenue. During the FY2020, the quarantine order in or nearby the Beijing city, where the Group's major customers for IT Products and Services were located, had led to the suspension of social and economic activities, which worsened the performance of the Group's IT Products and Services. The Group was able to catch up with those major customers and completed the services in 2021. On the other hand, the increase in revenue of Optical Fibers Business was mainly due to the increase in maintenance service income.

The turnaround from operating loss of approximately RMB713,245,000 to operating profit of approximately RMB6,211,000 from FY2020 to FY2021 was mainly due to the decrease in other losses resulting from (a) the significant impairment loss on (i) trade and bill receivables; (ii) prepayment, deposits and other receivables; (iii) loans to customers; (iv) goodwill; (v) property, plant and equipment; (vi) intangible assets; (vii) right-of-use assets; (viii) contract assets; and (ix) amount due from a director, with the aggregated amount of approximately RMB640,734,000 for FY2020; and (b) gain on investment at fair value through profit and loss of approximately RMB8,555,000 for FY2021. The abovementioned impairment was made as the auditors of the Company (the "**Auditors**") were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the carrying amount of certain assets of the Group as at 31 December 2020.

The Group recorded net loss attributable to owners of the Company of approximately RMB23,367,000 for FY2021 due to the finance costs amounted to approximately RMB29,904,000 for FY2021.

HY2022 compared to HY2021

According to the Interim Report 2022, the Group's revenue for HY2022 was approximately RMB26,795,000, representing an increase of approximately RMB21,554,000 or 411.3%, compared to the revenue of approximately RMB5,241,000 for HY2021. The increase of revenue was mainly due to the completion of several environmentally intelligent technical services carried forward from 2021 and the additional revenue contributed from the new optical fiber services center in Thailand and Hong Kong set up in late 2021 and early 2022, respectively, to serve customers located in Thailand and Hong Kong.

The operating loss remained stable for HY2022 due to the increase of the revenue being offset by the decrease of approximately RMB8,505,000 in other gain on investment at fair value through profit or loss.

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The Group recorded a loss attributable to owners of the Company of approximately RMB39,104,000 for HY2022, representing an increase of approximately RMB20,521,000 or 110.4% as compared with approximately RMB18,583,000 for HY2021. Such increase was mainly due to the increase in finance cost incurred from the increase of net foreign exchange loss of approximately RMB22,513,000 caused by the devaluation of RMB against HK\$.

Set out below is a summary of the financial position of the Group as at 30 June 2022 and 31 December 2021 respectively as extracted from the Interim Report 2022:

	As at 31 December 2021	As at 30 June 2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	audited	unaudited
Non-current assets	47,106	40,488
Current assets	261,109	291,029
Total assets	308,215	331,517
Non-current liabilities	2,579	2,371
Current liabilities	795,691	856,425
Total liabilities	798,270	858,796
Net current liabilities	(534,582)	(565,396)
Net liabilities	(490,055)	(527,279)
Current ratio	0.33	0.34
Gearing ratio	(96.4%)	(94.0%)

As at 30 June 2022, the Group had current assets of approximately RMB291,029,000, consisting mainly of prepayments, deposits and other receivables, loan to customers, trade and bill receivables, contract assets and cash and cash equivalents. As at 30 June 2022, the Group has cash and cash equivalents amounted to approximately RMB20,904,000.

As at 30 June 2022, the Group had non-current liabilities and current liabilities amounted to approximately RMB2,371,000 and RMB856,425,000 respectively, consisting mainly of payables, corporate bonds, guaranteed notes, bank and other borrowings arising in the ordinary course of business.

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The following table set out the current liabilities of the Group as at 30 June 2022 and 31 December 2021 respectively as extracted from the Interim Report 2022:

	As at 31 December 2021	As at 30 June 2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	audited	unaudited
Trade and other payable	257,853	277,428
Payables for acquisition of a subsidiary	27,500	27,500
Bank and other borrowings	51,727	45,727
Corporate bonds	308,294	330,252
Guaranteed notes	127,958	140,336
Loans from an investor	–	12,823
Lease liabilities	412	412
Income tax payable	21,162	21,162
Provision for warranties	785	785
Current liabilities	795,691	856,425

Balance of total current liabilities increased from approximately RMB795,691,000 as at 31 December 2021 to approximately RMB856,425,000 as at 30 June 2022, representing an increase of approximately RMB60,734,000 or 7.6%. Such increase was mainly attributable to the combined effects of (i) an increase in trade and other payable by approximately RMB19,575,000; (ii) an increase in corporate bonds by approximately RMB21,958,000; (iii) an increase in guaranteed notes by approximately RMB12,378,000; (iv) loans from GSC of approximately RMB12,823,000; and (v) a decrease in bank and other borrowings by approximately RMB6,000,000.

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporate bonds and guaranteed notes) less cash at bank and on hand. Capital comprises all components of equity. The gearing ratio was approximately (96.4)% and (94.0)% as at 31 December 2021 and 30 June 2022 respectively.

In addition, according to Note 3 to Rule 2 of the Takeovers Code, we would like to draw the attention to the Independent Shareholders that Auditors have issued disclaimers of opinion or conclusion on the consolidated financial statements of the Group for each of the year ended 31 December 2019, 31 December 2020 and 31 December 2021 (the “**Audit Qualifications**”). As stated in the Circular, such disclaimers of opinion or conclusion include:

- (i) material uncertainty relating to the going concern basis;

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- (ii) insufficient accounting records in relation to the share subscription to an independent investor namely Xin Jiang Bo Run Investment Holdings Group Limited;
- (iii) insufficient information and documents of the legal titles of certain property, plant and equipment; and
- (iv) insufficient accounting records of the valuation and recoverability of the carrying amount of equity investments at fair value through other comprehensive income.

For detailed information of each of the basis of disclaimer, relevant financial year or period and action taken or to be taken, please refer to the paragraphs headed “3. Disclaimer of Opinion” and “4. Response from the Directors Regarding the Disclaimer of Opinion” in “Appendix I Financial Information of the Group” in this Circular.

Nonetheless, the Auditors have agreed with the description in relation to the rectification of the audit qualifications set out in the paragraphs mentioned above. Having considered the above, upon Completion and in the absence of any unforeseen circumstances, we concur with the Directors’ view that the above Audit Qualifications should not materially affect the Group’s financial results and operation.

Trading prospects and business plan of the Group

According to the Interim Report 2022, the revenue generated from the PRC (including Hong Kong) and Thailand for HY2022 were approximately RMB22,733,000 and RMB4,062,000 respectively, representing approximately 84.8% and 15.2% of the total revenue of the Group for HY2022 respectively. The Group expects the operating environment will continue to be challenging. However, the application of wireless technology by the market and the promotion of cloud computing, big data and data centres, together with upgrades in systems and skills and application of development of 5G, is expected to lead to a multi-fold increase in the global demand for network bandwidth in the next few years. Optical fiber broadband network construction is the forerunner of all infrastructures, and the most important driver for the economic development of countries in the surrounding areas under the One Belt One Road initiative, the Middle East and Africa. Upgrade of existing networks and laying of new networks are required to cope with the local needs for future development. The Group is proactively looking for business opportunities to expand its existing business of environmentally intelligent technical products and services in the PRC and optical fibers services overseas.

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As stated in the Letter from the Liquidators, 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. The Investors have provided interim finance 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 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:

(1) *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 gross profit margin of approximately 18% as estimated based on the historical performance of the average gross profit margin of the current signed contracts with 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.

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(2) *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.

As stated in the Letter from the Liquidators, 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.

According to the study of the 5G enterprise services market in Asia Pacific region (excluding Japan) by the International Data Corporation (“IDC”), a global service provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets with more than 1,300 analysts worldwide, on 25 August 2022 (<https://www.idc.com/getdoc.jsp?containerId=prAP49619622>), it is estimated that the total revenue of 5G services will grow from approximately US\$106 million in 2021 to US\$8,000 million in 2026, with a cumulative annual growth rate of 137%. The study by IDC covers the mobile network operator's 5G private network managed services (excluding equipment leasing) revenue, the fixed wireless access (FWA) service revenues for enterprises, multi-access edge computing (MEC) edge cloud service revenues and network slicing service revenues.

In October 2021, the PRC government published the Opinions of the CPC Central Committee and the State Council on Completely, Accurately and Comprehensively Implementing the New Development Concept and Doing a Good Job in Peak Carbon Dioxide Emissions (《中共中央國務院關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) and Carbon Neutrality and the Action Plan for Peak Carbon Dioxide Emissions by 2030 (《2030年前碳達峰行動方案》), which put forward a number of goals to achieve carbon neutrality by 2060. Accelerating the construction of a clean, low-carbon, safe and efficient energy system is one of the key tasks mentioned in such policy papers.

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Based on the potential of the 5G telecommunication market in the Asia Pacific region and carbon neutrality policy implemented by the PRC government as mentioned above, we consider that the outlook of the optical fiber market, being the raw material of the telecommunication infrastructure, and telecommunication and information technology industry in the Asia Pacific region (including Hong Kong and Thailand) and outlook of environmentally intelligent technology industry in the PRC will remain positive in the near future and in turn supports the business expansion of the Retained Group in Thailand, Hong Kong and the PRC. Therefore, we consider that the Restructuring can restore the corporate value of the Retained Group created from its future prospects and business development as mentioned above and is in the interests of the Company and the Shareholders as a whole.

2. 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, 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.

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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.

According to the Letter from the Liquidators, each of the Investors is an Independent Third Party.

Intentions of the Investors regarding the Retained Group and proposed change of the Board composition

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 date hereof, 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 date hereof, 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 below) or to dispose of or re-deploy any fixed assets of the Retained Group other than those in its ordinary course of business.

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As at the Latest Practicable Date, the Board comprised 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 Thailand Operation was developed by the experienced personnel of the Group in the Optical Fibers Business 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. 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.

We consider that the Investors have (i) strong background of payment and fintech services in the PRC, Hong Kong and Southeast Asia, and experience in accounting, auditing and financial management; and (ii) have no plan to terminate the employment of any other employees or other personnel of the Group (save for the proposed changes to the Board) which are experienced personnel with the required expertise for each segment, which could support the Retained Group’s business development in PRC, Hong Kong and Thailand as mentioned above and bring valuable corporate leadership and management experiences to the Board and the Retained Group upon Resumption.

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3. Reasons for and benefits of the entering into of the Restructuring Agreement, the Subscription Agreement, the Placing Agreement and the use of proceeds from the Subscription and the Placing

According to the Letter from the Liquidators, 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 endeavoring 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 interests 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.

As stated in the Letter from the Liquidators, 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.

Having considered the factors above, the Liquidators and the Directors 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.

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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.

After considering that (i) the Company is in net liabilities financial position and if the Restructuring fails to proceed and the Company is to be wound up, the Shareholders would most likely not be able to receive any value for their equity interest in the Company; (ii) the Resumption will only happen if the Restructuring is implemented; (iii) the proposed Restructuring is the only rescue proposal available to the Company and essential to the Resumption; (iv) due to the prolonged Trading Suspension, if the Company fails to fulfill the Resumption Guidance and the Restructuring is not approved by the Independent Shareholders, the Company's listing status will be cancelled; (v) the positive trading prospect of the Retained Group as discussed under the sub-paragraph headed "Trading prospects of the Group and the Retained Group" under the paragraph headed "1. Background and financial information of the Group" above in this letter; (vi) the Investors intend to continue the principal business and maintain the listing status of the Group after the Resumption; and (vii) the Investors have strong background of payment and fintech services in the PRC, Hong Kong and Southeast Asia and experience in accounting, auditing and financial management as stated under the paragraph headed "2. Information of the Investors" above in this letter, we consider that the Investors will bring valuable corporate leadership and management experience to the Board and the Retained Group after the Completion and entering into the Restructuring Agreement is in the interest of the Company and Shareholders as a whole.

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4. Fund raising alternatives available to the Group

Given the current net liabilities financial position of the Group as at 30 June 2022 and the winding up petition against the Company with its Shares being in prolonged suspension, there were very limited fund raising alternatives available to the Group. In particular, the Group could not obtain favorable bank facilities or borrowings under the existing position and could not propose attractive terms and offers to carry out any equity fund-raising activities such as rights issue or open offer when trading in the Shares on the Stock Exchange has been suspended.

We are advised by the Company that the Company had considered the inclusion of an open offer in the Restructuring. Although both open offer and rights issue would allow the Shareholders to participate in the subscription of New Shares and maintain their respective pro-rata shareholdings in the Company, after considering that (i) the absence of an open offer will mean that the existing Shareholders are not required to pay any subscription money to retain an aggregate of approximately 5% shareholding of the Enlarged Issued Share Capital in the Company; and (ii) it would take a relatively longer timeframe of more than three months from the dispatch of the circular to commencement of dealing in the offer shares or rights shares (as the case may be) when compared to the Subscription and the Placing of normally approximately one month from the dispatch of the circular pertaining to an allotment and issue of the Subscription Shares and the Placing Shares under Specific Mandate to dealing in the New Shares, the Company considered that it is not beneficial to the Company and the Shareholders as a whole to include such open offer and decided to replace the open offer by the Placing.

Having taken into account the above and that the Subscription and the Placing would raise fund for discharging the debts of the Company under the Hong Kong Scheme and PRC Debt Arrangement and facilitate the Resumption, we are of the view that the Subscription and the Placing are fair and reasonable fund raising methods and are in the interests of the Company and the Independent Shareholders as a whole.

5. Principal terms of the Restructuring Agreement

Date

29 September 2022

Parties

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

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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;

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- (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.

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Termination of the Restructuring Agreement

Any party to the Restructuring Agreements 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.

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6. The Capital Reorganization

References are made to the announcements of the Company dated 16 May 2022 and 27 June 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;

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- (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 the 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).

7. The Subscription

Pursuant to the terms and conditions of the Restructuring Agreement and the Subscription Agreement entered into on 29 September 2022 and 24 November 2022 respectively, 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. 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.

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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 HK0.1879 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

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- (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).

According to the Letter from the Liquidators, 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 set out in the paragraph headed “2. The Subscription” in the Letter from the Liquidators.

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 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.

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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 HK\$25.0 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 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 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.

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Comparison with comparable transactions

As mentioned above, the trading of the Shares was suspended since 5 May 2021, which was over one year from the Latest Practicable Date, we consider the closing price of the Shares prior to the suspension cannot reflect the current financial condition and valuation of the Company which in turn cannot provide a fair basis for the evaluation of the Subscription Price and the discount rate 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. For the purpose of providing the Independent Shareholders with a general reference for companies listed on the Stock Exchange engaged in similar transaction as those as described in this Circular, we identified and compared listed companies, the shares of which were in prolonged suspension from trading on the Stock Exchange for three months or more, provisional liquidators appointed and carried out restructuring which constitutes, among all others, subscription and/or placing of new shares, debt restructuring, application for whitewash waiver and completed the restructuring and resumed trading of its shares, from 1 January 2012 to the Latest Practicable Date (“**Comparables Review Period**”). We identify an exhaustive list of ten companies (the “**Comparables**”) which met the aforesaid criteria. We note that the restructuring proposal of the Comparables, the structure and terms thereof, including but limited to, (i) business size, financial performance and financial position; (ii) the subscription price and amount and the use of proceeds; and (iii) the background of the transaction, is unique and different from the Company. However, as information for the Independent Shareholders’ general reference purpose, we consider the Comparables are fair and reasonable.

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We consider that the Comparables Review Period of approximately ten years is adequate and appropriate given that (i) successful resumption of shares of the companies trading on Stock Exchange after prolonged suspension and under liquidation is uncommon; (ii) the Comparables Review Period would provide us a general reference of market practice of similar transaction as those as described in this Circular; and (iii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparable Review Period.

No.	Name of company	Stock code	Date of suspension	Date of circular	Date of resumption	Discount of subscription price to closing price on last trading day <i>approximate</i>	Discount of placing price to closing price on last trading day <i>(Note 1) approximate</i>	Maximum dilution <i>(Note 2) approximate</i>
1	Samson Paper Holdings Limited	731	2 July 2020	31 December 2021	26 January 2022	96.7%	96.7%	91.9%
2	Freeman Fintech Corporation Limited	279	28 February 2020	26 May 2021	1 November 2021	From 82.1% to 81.5% <i>(Note 3)</i>	N/A	91.2%
3	China Oil Gangran Energy Group Holdings Limited	8132	2 July 2019	19 March 2021	28 June 2021	87.6%	N/A	86.0%
4	China Agrotech Holdings Limited	1073	18 September 2014	27 April 2019	26 July 2019	78.8%	78.8%	91.2%
5	Titan Petrochemicals Group Limited	1192	19 June 2012	13 May 2016	15 July 2016	59.4%	N/A	77.4%
6	Norstar Founders Group Limited	2339	19 January 2009	20 November 2013	27 January 2014	96.8%	N/A	90.0%
7	FU JI Food and Catering Services Holdings Limited	1175	29 July 2009	1 March 2013	8 July 2013	99.0%	N/A	88.5%
8	First Natural Foods Holdings Limited	1076	15 December 2008	12 July 2012	5 September 2012	97.6%	N/A	96.3%
9	Sunlink International Holdings Limited	2336	2 December 2008	23 December 2011	28 February 2012	85.7%	N/A	91.6%
10	Ever Fortune International Holdings Limited	875	28 April 2005	30 November 2011	28 February 2012	70.9%	N/A	91.5%
					Average	85.4%	87.7%	89.6%
					Maximum	99.0%	96.7%	96.3%
					Minimum	59.4%	78.8%	77.4%
	The Company (6168)		5 May 2021	2 December 2022		97.1% <i>(Note 4)</i>	97.1% <i>(Note 4)</i>	90.0%

Notes:

- Discount of placing price to closing price on last trading day is available only for those Comparables that also conducted a placing as part of the restructuring exercise.
- Maximum dilution effect of the Comparables is calculated as: (respective number of new shares to be issued in each issue of shares as contemplated under the respective resumption proposal)/(the total number of issued shares as enlarged by the issue of shares under the respective resumption proposal) x 100% and assuming all of the outstanding options, warrants, derivatives or convertible securities (if any) are exercised and/or converted.
- According to the circular of Freeman Fintech Corporation Limited dated 26 May 2021, the subscription price was ranged from HK\$0.01614 (assuming no further drawdown of the top-up loan amount that the investor shall top up to the non-interest-bearing loan to be provided by the Investor representing the difference between the estimated taxation liability and the actual taxation liability) to HK\$0.01661 (assuming the further drawdown of the top-up loan amount is equal to the estimated taxation liability). For the purpose of calculation of average discount rate, we assume the discount of subscription price to closing price on last trading day of Freeman Fintech Corporation Limited is 81.5%.
- Representing the discount 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.

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As shown in the above table, the discount of the subscription prices of the Comparables to their respective closing prices on last trading day ranges from approximately 59.4% to approximately 99.0%, with an average discount of approximately 85.4%. The discount of the Subscription Price of approximately 97.1% 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 falls within the range of the discounts of the Comparables.

Although the discount of the Subscription Price of approximately 97.1% to the theoretical closing price per New Share as adjusted for the effect of the Capital Reorganization based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day is higher than the average of the discounts of the Comparables, having considered that (i) the Company is in suspension for trading of Shares for over a year; (ii) the Company is and had been in a net liabilities position; (iii) the Resumption will only happen if the proposed Restructuring is implemented; (iv) if the Company fails to fulfill the Resumption Guidance and the Restructuring is not approved by the Independent Shareholders, the Company's listing status will be cancelled; (v) the Subscription forms part and parcel of the Restructuring seeking for the Resumption; and (vi) the discount represented by the Subscription Price to the theoretical closing price per New Share (as adjusted for the effect of the Capital Reorganization based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day) falls within the range of the discounts of the Comparables; (vii) the Subscription Amount was determined after arm's length negotiation between the Company, the Liquidators and the Investors; and (viii) the proposed Restructuring is the only viable option available to the Company to avert liquidation, we consider the principal terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

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;

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- (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 Latest Practicable Date, 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.

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8. 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 Co 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 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 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.

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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. The Group's Optical Fiber Services segment in the PRC experienced severely deteriorated performance following the legal disputes with China Mobile Group, one of the major business partners of the Group in the PRC for the repayment of long outstanding service fees and interests. Therefore, 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.

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.

Having considered that (i) the net liabilities position of the Excluded Subsidiaries; (ii) severely deteriorated performance of the Group's Optical Fiber Services segment in the PRC following the legal disputes with China Mobile Group, one of the major business partners of the Group in the PRC; and (iii) the unaudited pro forma net assets of the Retained Group as at 30 June 2022 will be amounted to approximately HK\$25.0 million as at 30 June 2022 upon completion of the Group Reorganization, we are of the view 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

9. 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 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 suspension of trading of the Shares, the prevailing market conditions, the financial position and prospects of the business operation of the Retained Group. Please refer to the paragraph headed "7. The Subscription – Subscription Price" above for details of the Subscription Price.

Comparison with comparable transactions

For the purpose of providing the Independent Shareholders with a general reference for companies listed on the Stock Exchange engaged in similar transaction as those as described in this Circular, we have considered the Comparables as set out in the table of the Comparables above and identified two comparables (Samson Paper Holdings Limited (stock code: 731) and China Agrotech Holdings Limited (stock code:1073)), which also conducted a placing as part of the restructuring exercise.

Although only two comparables, which also conducted a placing as part of the restructuring exercised, are identified in the Comparables, having considered that (i) the two comparables represented the similar transaction of restructuring, which involved a placing and intended to resume the trading of their shares on the Stock Exchange; (ii) the review period of approximately ten years of comparable transactions represent the general market terms of restructuring; and (iii) list of Comparables is exhaustive based on the selection criteria set out in the sub-paragraph headed "Comparison with comparable transactions" under the paragraph headed "7. The Subscription" above, we consider the two comparables provide a general reference to the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although discount of the Placing price is out of the range of the two comparables, as the Placing Price, the Subscription Price and the Issue Price are identical, based on our analysis under the sub-paragraph headed “Comparison with comparable transactions” under the paragraph headed “7. The Subscription” above, we are of the view that the discount rate of the Placing Price 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 is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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 Latest Practicable Date, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

10. The Hong Kong Scheme

As at the Latest Practicable Date, based on the available books and records of the Company, the claims declared by the Creditors amounted to approximately RMB524.7 million.

Pursuant to Restructuring Agreement, 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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” above) having been satisfied or waived.

All the conditions precedents to the Creditors’ 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. The Company will provide an update on the Hong Kong Scheme as and when appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

11. The PRC Debt Arrangement

The Company has provided a joint and several guarantee to Harbin Bank, 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 Subscription Proceeds 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, 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.

12. Dilution effect of the allotment and issue of the Subscription Shares, Placing Shares and Creditors' Shares

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:

	(i) As at the Latest Practicable Date		(ii) immediately after the Capital Reorganization becoming effective		(iii) immediately after the Capital Reorganization becoming effective and completion of the Subscription, the Placing and the Hong Kong Scheme	
	Number of shares	Approximately %	Number of shares	Approximately %	Number of shares	Approximately %
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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	(i) As at the Latest Practicable Date		(ii) immediately after the Capital Reorganization becoming effective		(iii) immediately after the Capital Reorganization becoming effective and completion of the Subscription, the Placing and the Hong Kong Scheme	
	Number of shares	Approximately %	Number of shares	Approximately %	Number of shares	Approximately %
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	73,380,000	2.71	73,380,000	2.71	73,380,000	0.27
Other Public Shareholders	<u>1,059,998,788</u>	<u>37.06</u>	<u>1,059,998,788</u>	<u>37.06</u>	<u>1,059,998,788</u>	<u>3.71</u>
	<u>2,859,942,965</u>	<u>100.00</u>	<u>2,859,942,965</u>	<u>100.00</u>	<u>28,599,429,649</u>	<u>100.00</u>

Note:

- 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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Letter from the Liquidators, 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%.

Based on the above table, we note that the other public Shareholders' interest in the issued capital of the Company will decrease from 37.06% to 3.71% after the Completion. Given that (i) the Group is currently insolvent and in financial difficulties; (ii) due to the prolonged Trading Suspension, if the Company fails to fulfill the Resumption Guidance and the Restructuring is not approved by the Independent Shareholders, the Company's listing status will be cancelled; and (iii) the Resumption Proposal is the only rescue proposal available to the Company and essential to the Resumption, we consider that it is an exceptional circumstance for the Company to issue and allot the Subscription Shares, Placing Shares and Creditors' Shares under the Restructuring, which in aggregate would result in a theoretical dilution effect of over 25%, and the potential dilution effect on the shareholding interest of the other public Shareholders as a result of the Restructuring is acceptable.

13. The Whitewash Wavier

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 date of the Restructuring Agreement 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 and the Whitewash Waiver (including Mr. Jiang, his associates and Donghai) will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. Completion of the Restructuring 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and the Special Deal 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.

Having considered that (i) the approval of the Whitewash Waiver by the Independent Shareholders and the granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Subscription; (ii) the Whitewash Waiver would allow the Restructuring and the transactions contemplated thereunder to proceed and thus lead to resumption of trading in the Shares; and (iii) the principal terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole as discussed in the paragraph headed “7. The Subscription” above, we are of the view that the Whitewash Waiver is fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

14. 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 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) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that (i) the net liabilities position of the Group as at 30 June 2022, and thus is imminent to improve the financial position of the Company by introducing the Investor for the Restructuring; (ii) all claims and liabilities of the Company shall be discharged in full upon the taking effect of the Hong Kong Scheme; (iii) the Creditors with the claims admitted under the Hong Kong Scheme would be entitled to receive the consideration under the Hong Kong Scheme as contemplated in the Restructuring Agreement in a formal and orderly manner and thus leading to the Resumption; (iv) the Special Deal is to facilitate the implementation of the Hong Kong Scheme; (v) the Special Deal is subject to the approval from the Independent Shareholders; (vi) the Investors Concert Group, Mr. Jiang and his associates, Donghai and any Creditors who is Shareholder will abstain from voting on the relevant resolution; (vii) the Restructuring will not proceed without the consent to the Special Deal by the Executive, we are of the view that the terms of the Special Deal is fair and reasonable.

15. Financial effects of the Restructuring

As advised by the Directors, upon completion of the Restructuring, all the existing assets and liabilities of the Excluded Subsidiaries will be transferred to the Scheme Co at nominal consideration and the sole assets of the Company will be the Retained Group. Please refer to the section headed “Appendix II Unaudited pro forma financial information of the Group” (the “**Pro Forma Information**”) as included in this Circular for details.

As at 30 June 2022, the Group had total assets of approximately RMB331,517,000 and total liabilities of approximately RMB858,796,000. Due to the net liabilities position of the Group, the debt to asset ratio of the Group was approximately 2.59 times, being the total liabilities divided by total assets. Based on the Pro Forma Information, if the Resumption had taken place on 30 June 2022, the Group would have total assets of approximately RMB76,597,000 and total liabilities of approximately RMB51,595,000. Accordingly, the debt to asset ratio of the Group would be approximately 0.67 times.

Based on the above, we consider the Restructuring will enable the Group to settle its outstanding indebtedness in a formal and orderly manner and improve the financial position of the Company after the Restructuring and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Despite the dilution effect of the Restructuring and the significant discount of the Subscription Price and Placing Price to the historical trading prices of the Shares, having considered the principal factors and reasons discussed above, in particular, that

- (i) the Resumption will only happen if the proposed Restructuring is implemented;
- (ii) due to the prolonged Trading Suspension, if the Company fails to fulfill the Resumption Guidance and the Restructuring is not approved by the Independent Shareholders, the Company's listing status will be cancelled;
- (iii) the Resumption Proposal is the only rescue proposal available to the Company and essential to the Resumption;
- (iv) the Group's financial position will be improved after the Restructuring, which will discharge the debts of the Company under the Hong Kong Scheme in the amount of approximately RMB524.7 million and under the PRC Debt Arrangement in the amount of RMB26 million, settle the Restructuring Expenses and provide working capital to the Retained Group;
- (v) the significant consolidated net liabilities position of the Group as at 30 June 2022 and thus is imminent to improve the financial position of the Company by introducing the Investor for the Restructuring, which constitutes the Special Deal, will enable the Group to settle its outstanding indebtedness in a formal and orderly manner;
- (vi) all claims and liabilities of the Company shall be discharged in full upon the taking effect of the Hong Kong Scheme and PRC Debt Arrangement;
- (vii) the outlook of the optical fiber market and telecommunication and information technology industry in the Asia Pacific region and outlook of environmentally intelligent technology industry in the PRC remain positive in the near future;
- (viii) the background of the Investors;
- (ix) the Whitewash Waiver would allow the Restructuring and the transactions contemplated thereunder to proceed and thus lead to resumption of trading in the Shares; and
- (x) the Special Deal is solely for the purpose of repayment of indebtedness due to the Creditors who are also the Shareholders and forms part of the Restructuring and if the debt restructuring by way of the Hong Kong Scheme, is not successful, the Group will be placed into insolvent liquidation,

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we are of the view that although the entering of the Restructuring Agreement is not in the ordinary and usual course of business of the Group, the terms of the Restructuring Agreement and the transactions contemplated thereunder (including (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the Hong Kong Scheme; (vi) the PRC Debt Arrangement; and (vii) the Resumption), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the Restructuring Agreement and the transactions contemplated thereunder (including (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the Hong Kong Scheme; (vi) the PRC Debt Arrangement; and (vii) the Resumption), the grant of the Specific Mandates, the Whitewash Waiver and the Special Deal.

Yours faithfully,

For and on behalf of

INCUBORPORATE FINANCE LIMITED

Gina Leung

Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the consolidated financial results and positions of the Company for the three financial years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 extracted from the annual reports of the Company for the years ended 31 December 2019 (“**2019 Annual Report**”), 31 December 2020 (“**2020 Annual Report**”) and 31 December 2021 (“**2021 Annual Report**”), and the interim reports of the Company for the six months ended 30 June 2021 (“**2021 Interim Report**”) and 30 June 2022 (“**2022 Interim Report**”), respectively.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(Unaudited)	(Unaudited)
Total revenue	99,043	31,381	59,232	5,241	26,795
Cost of sales/services	(105,186)	(60,454)	(41,451)	(5,641)	(21,059)
Gross profit/(loss)	(6,143)	(29,073)	17,781	(400)	5,736
Interest income	4,662	162	128	88	25
Other income	3,766	810	1,277	2,109	2,845
Other gains/(losses)	(4,748)	(642,342)	11,011	8,505	-
Selling expenses	(7,487)	(2,756)	(2,662)	(1,168)	(1,075)
Administrative expenses	(92,832)	(37,856)	(20,087)	(12,307)	(10,573)
Research and development expenses	(7,168)	(2,190)	(1,237)	(563)	(807)
Operating loss	(109,950)	(713,245)	6,211	(3,736)	(3,849)
Share of profit from an associate	-	-	285	91	-
Finance costs	(50,651)	(37,813)	(29,904)	(15,027)	(34,836)
Loss before taxation	(160,601)	(751,058)	(23,408)	(18,672)	(38,685)
Income tax	(3,065)	57	-	-	-
Loss for the year	(163,666)	(751,001)	(23,408)	(18,672)	(38,685)
Other comprehensive loss for the year (after tax)	(10,556)	(41,930)	(1,066)	(685)	18
Total comprehensive loss for the year	(174,222)	(792,931)	(24,474)	(19,357)	(38,667)
Loss for the year attributable to:					
Owners of the Company	(166,516)	(678,796)	(23,367)	(18,583)	(39,104)
Non-controlling interests	2,850	(72,205)	(41)	(89)	419
Total comprehensive loss attributable to:					
Owners of the Company	(177,072)	(720,726)	(24,433)	(19,268)	(39,086)
Non-controlling interests	2,850	(72,205)	(41)	(89)	419
Loss per share					
Basic (RMB cents)	(7.69)	(26.16)	(0.82)	(0.65)	(1.37)
Diluted (RMB cents)	(7.69)	(26.16)	(0.82)	(0.65)	(1.37)
Dividend per share	-	-	-	-	-

Summary of consolidated statement of financial position

	As at 31 December 2019 RMB'000 (audited)	As at 31 December 2020 RMB'000 (audited)	As at 31 December 2021 RMB'000 (audited)	As at 30 June 2021 RMB'000 (unaudited)	As at 30 June 2022 RMB'000 (unaudited)
Non-current assets	492,798	47,557	47,106	47,773	40,488
Current assets	<u>434,720</u>	<u>209,894</u>	<u>261,109</u>	<u>217,917</u>	<u>291,029</u>
Total assets	927,518	257,451	308,215	265,690	331,517
Non-current liabilities	141,051	116,981	2,579	3,191	2,371
Current liabilities	<u>574,574</u>	<u>606,051</u>	<u>795,691</u>	<u>747,437</u>	<u>856,425</u>
Total liabilities	715,625	723,032	798,270	750,628	858,796
Net current liabilities	(139,854)	(396,157)	(534,582)	529,520	(565,396)
Net assets/(liabilities)	211,893	(465,581)	(490,055)	(484,938)	(527,279)
Equity attributable to owners of the Company	153,436	(451,833)	(476,266)	(471,101)	(515,353)

Save as disclosed above and in the section headed “3. Disclaimer of Opinion” to this appendix, the Company had no exceptional or extraordinary items which were exceptional because of its size, nature or incidence for each of the three years ended 31 December 2019, 2020 and 2021.

2. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this Circular the consolidated statements of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the consolidated financial statements of the Group for the years ended 31 December 2019 (the “**2019 Financial Statements**”), 31 December 2020 (the “**2020 Financial Statements**”) and 31 December 2021 (the “**2021 Financial Statements**”) and for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”) and 30 June 2022 (the “**2022 Interim Financial Statements**”), together with the significant accounting policies and the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out from page 46 to page 138 in the 2019 Annual Report, which was published on 15 May 2020. The 2019 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500209.pdf>

The 2020 Financial Statements are set out from page 52 to page 134 in the 2020 Annual Report, which was published on 11 November 2022. The 2020 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1111/2022111100181.pdf>

The 2021 Financial Statements are set out from page 51 to page 126 in the 2021 Annual Report, which was published on 11 November 2022. The 2021 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1111/2022111100189.pdf>

The 2021 Interim Financial Statements are set out from page 23 to page 44 in the 2021 Interim Report, which was published on 11 November 2022. The 2021 Interim Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1111/2022111100185.pdf>

The 2022 Interim Financial Statements are set out from page 22 to page 44 in the 2022 Interim Report, which was published on 11 November 2022. The 2022 Interim Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1111/2022111100193.pdf>

3. DISCLAIMER OF OPINION

Set out below is the basis for the disclaimers of opinion (the “**Disclaimers of Opinion**”) issued by the Auditors on the consolidated financial statements of the Company for the three years ended 31 December 2019, 2020 and 2021:

For the year ended 31 December 2019

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of RMB163,666,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of RMB139,854,000 and unsettled matured loans and payables of RMB448,297,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

For the year ended 31 December 2020

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. Loss per share, Other receivables, Share capital and Share premium

As disclosed in notes 40 to the consolidated financial statements, on 21 August 2020, a total of 417,269,077 shares of the Company subscribed by Xin Jiang Bo Run Investment Holdings Group Limited (the “**Former Subscriber**”) were allotted and issued by the Company to the Former Subscriber at the subscription price of HK\$0.31 per share of the Company.

On 5 July 2022, the Group’s Litigation Lawyer received an electronic copy of a letter issued by the Former Subscriber dated 4 July 2022, claiming that all signatures of the representatives of the Former Subscriber and the seals of the Former Subscriber affixed in the documents in relation to the potential cooperation and the subscription by the Former Subscriber (the “**Former Subscription**”), including but not limited to, the memorandum of understanding, the authorisation letter, the subscription agreement and the delegation in respect of the Former Subscription, were forged and all the documents, hence the Former Subscription, were unauthorized.

The Company has not been able to retrieve the subscription amount in respect of the Former Subscription; and the relevant share certificates of the Company have been issued but have not been delivered to the Former Subscriber because the Company was still waiting for further instruction and confirmation from the Former Subscriber for the delivery of the relevant share certificates.

As a result, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the Former Subscription was properly recorded for the year ended 31 December 2020, (ii) the carrying amounts and the recoverability of other receivables for the Former Subscription of approximately RMB115,457,000 as at 31 December 2020, (iii) whether the balance of share capital of approximately RMB240,267,000 was properly recorded as at 31 December 2020, (iv) whether the balance of share premium of approximately RMB513,123,000 was properly recorded as at 31 December 2020, (v) whether the movement of share capital and share premium were properly recorded for the year ended 31 December 2020; (vi) the basic and diluted loss per share of RMB26.16 were properly recorded for the year ended 31 December 2020; and (vii) the related disclosures of loss per share, other receivables, share capital and share premium disclosed in note 16, 29, 40, 41 to the consolidated financial statements.

2. Property, plant and equipment

For the year ended 31 December 2018, despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those offices as property, plant and equipment, on the grounds that they expect the transfer of legal titles in future should have no major difficulties based on the legal opinion and the Group is in substance controlling those offices.

The legal titles of these offices were not yet transferred despite the Group kept requesting the property developer to do so. As at 28 December 2020, these offices were forfeited by the property developer's creditors. Subsequently, the Group brought a lawsuit against the property developer and relevant parties to claim any loss in respect of these offices. Up to now, the lawsuit is processing.

As a result, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the forfeiture of these offices ^{Note 1} (the “**Forfeiture of the Offices**”) was properly recorded for the year ended 31 December 2020, (ii) whether the impairment loss for leasehold land and buildings of approximately RMB113,599,000 (the “**Impairment Loss**”) was properly recorded for the year ended 31 December 2020, and (iii) whether the related disclosures of property, plant and equipment (the “**Related PPE Disclosures**”) are disclosed in note 17 to the consolidated financial statements ^{Note 2}.

3. Equity investments at fair value through other comprehensive income

No sufficient evidence has been provided to satisfy ourselves as to the valuation and recoverability of the carrying amount of equity investments in the investee company at fair value through other comprehensive income of RMB22,036,000 in the consolidated statement of financial position as at 31 December 2020. We were unable to obtain the financial information of such investee company in relation to these equity securities assessing its fair value and recoverability of the investment to the Group ^{Note 3}. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment of the amount should be made in the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2020 and the financial position of the Group as at 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

4. Material uncertainty relating to the going concern basis

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of RMB751,001,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities of RMB396,157,000 and net liabilities of RMB465,581,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows as described above. There are no other satisfactory audit procedures that we could adopt to determine whether the certain measures will bring successful outcome to improve its financial position, to provide liquidity and cash flows.

For the year ended 31 December 2021

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. Loss per share, Other receivables, Share capital and Share premium

As disclosed in notes 39 to the consolidated financial statements, on 21 August 2020, a total of 417,269,077 shares of the Company subscribed by the Former Subscriber were allotted and issued by the Company to the Former Subscriber at the subscription price of HK\$0.31 per share of the Company.

On 5 July 2022, the Group's Litigation Lawyer received an electronic copy of a letter issued by the Former Subscriber dated 4 July 2022, claiming that all signatures of the representatives of the Former Subscriber and the seals of the Former Subscriber affixed in the documents in relation to the Potential Cooperation and the Former Subscription, including but not limited to, the memorandum of understanding, the authorisation letter, the subscription agreement and the delegation in respect of the Former Subscription, were forged and all the documents, hence the Former Subscription, were unauthorized.

The Company has not been able to retrieve the subscription amount in respect of the Former Subscription; and the relevant share certificates of the Company have been issued but have not been delivered to the Former Subscriber because the Company was still waiting for further instruction and confirmation from the Former Subscriber for the delivery of the relevant share certificates.

As a result, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the Former Subscription was properly recorded for the year ended 31 December 2021 and 2020, (ii) the carrying amounts and the recoverability of other receivables for the Former Subscription of approximately RMB115,457,000 as at 31 December 2021 and 2020, (iii) whether the balance of share capital of approximately RMB240,267,000 was properly recorded as at 31 December 2021 and 2020, (iv) whether the balance of share premium of approximately RMB513,123,000 was properly recorded as at 31 December 2021 and 2020, (v) whether the movement of share capital and share premium were properly recorded for the year ended 31 December 2020; (vi) whether the basic and diluted loss per share of RMB0.82 and RMB26.16 were properly recorded for the year ended 31 December 2021 and 2020 respectively; and (vii) whether the related disclosures of loss per share, other receivables, share capital and share premium disclosed in note 16, 28, 39, 40 to the consolidated financial statements.

2. Property, plant and equipment

For the year ended 31 December 2018, despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those offices as property, plant and equipment, on the grounds that they expect the transfer of legal titles in future should have no major difficulties based on the legal opinion and the Group is in substance controlling those offices.

The legal titles of these offices were not yet transferred despite the Group kept requesting the property developer to do so. As at 28 December 2020, these offices were forfeited by property developer's creditors. Subsequently, the Group brought a lawsuit against the property developer and relevant parties to claim any loss in respect of these offices. Up to now, the lawsuit is processing.

As a result, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the Forfeiture of the Offices ^{Note 1} was properly recorded for the year ended 31 December 2021 and 2020, (ii) whether the Impairment Loss was properly recorded for the year ended 31 December 2020, and (iii) whether the Related PPE Disclosures are disclosed in note 17 to the consolidated financial statements ^{Note 2}.

3. Equity investments at fair value through other comprehensive income

No sufficient evidence has been provided to satisfy ourselves as to the valuation and recoverability of the carrying amount of equity investments in the investee company at fair value through other comprehensive income of RMB22,036,000 in the consolidated statement of financial position as at 31 December 2021 and 2020. We were unable to obtain the financial information of such investee company in relation to these equity securities assessing its fair value and recoverability of the investment to the Group ^{Note 3}. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment of the amount should be made in the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2021 and 2020 and the financial position of the Group as at 31 December 2021 and 2020, and the related disclosures thereof in the consolidated financial statements.

4. Material uncertainty relating to the going concern basis

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of RMB23,408,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities of RMB534,582,000 and net liabilities of RMB490,055,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows as described above. There are no other satisfactory audit procedures that we could adopt to determine whether the certain measures will bring successful outcome to improve its financial position, to provide liquidity and cash flows.

Note 1: These offices formed part of the Excluded Subsidiaries and the audit modification in relation to the Forfeiture of the Offices would be resolved upon completion of the Restructuring.

Note 2: The Auditors have not obtained sufficient and appropriate audit evidence because the recognition of the Forfeiture of the Offices and the Impairment Loss and the Related PPE Disclosures would be affected by the outcome of the above on-going lawsuit, which were highly uncertain.

Note 3: Since there was a change in the management of the investee company during the financial year ended 31 December 2020, although the Group had made repeated requests to the investee company under the new management, the investee company was not duly cooperative in providing any relevant financial information requested by the Group, and the Group was not able to provide such financial information to the Auditors. Before such change of management, the investee company was duly cooperative with such request from the Group. Therefore, such circumstance did not occur prior to the financial year ended 31 December 2020.

4. RESPONSE FROM THE DIRECTORS REGARDING THE DISCLAIMER OF OPINION

Set out below are the actions taken/to be taken by the Company to address each of the basis for the Disclaimers of Opinion:

1. Loss per share, Other receivables, Share capital and Share premium

Actions taken/to be taken by the Company

Since the shares issued under the Former Subscription was the subject matter of the investigation by the relevant authorities, it is the intention of the Company to reverse the Former Subscription in the year ending 31 December 2023 upon the completion of the investigation by the relevant authorities. Thereafter, it is expected that:

- (1) The relevant corresponding figures in the Group's consolidated financial statements for the years ending 31 December 2022 and 31 December 2023, similar disclaimer of opinion is expected to recur in the auditor's report for the years ending 31 December 2022 and 31 December 2023 (corresponding figures only).
- (2) The consolidated financial statements of the Group for the year ending 31 December 2024 will not carry any audit modifications.
- (3) If required, the Company will seek the approval of its Shareholders at a general meeting to cancel the 417,269,077 Shares issued to the Former Subscriber.
- (4) The Company will return all relevant share certificates to the Share Registrar for cancellation.
- (5) The Company will publish an announcement regarding the reversal of the Former Subscription and cancellation of the relevant Shares.

2. Property, plant and equipment

Actions taken/to be taken by the Company

Matters relating to the disclaimer of opinion in relation to unavailability of accounting records of the property, plant and equipment which was recorded under the Excluded Subsidiaries will be addressed by deconsolidation of the financial results and position of the Excluded Subsidiaries by disposal to the Scheme Co upon Resumption.

Based on the discussion with the Auditors, in view of the above disposal recognized in the year ending 31 December 2023, it is expected that:

- (1) The Disclaimer of opinion relating to the accounting treatment in relation to the disposal will be issued on the consolidated income statement of the Group for the year ending 31 December 2023.
- (2) As the loss/gain from the disposal will be shown as corresponding figures in the Group's consolidated financial statements for the year ending 31 December 2023, similar disclaimer of opinion is expected to recur in the auditor's report for the year ending 31 December 2024.
- (3) The consolidated financial statements of the Group for the year ending 31 December 2025 will not carry any audit modifications.

3. Equity investments at fair value through other comprehensive income***Actions taken/to be taken by the Company***

Matters relating to the disclaimer of opinion in relation to unavailability of accounting records of the investee company will be addressed by deconsolidation of the financial results and position of the Excluded Subsidiaries by disposal to the Scheme Co upon Resumption.

Based on the discussion with the Auditors, in view of the above disposal recognized in the year ending 31 December 2023, it is expected that:

- (1) Disclaimer of opinion relating to the accounting treatment in relation to the disposal will be issued on the consolidated income statement of the Group for the year ending 31 December 2023.
- (2) As the loss/gain from the disposal will be shown as corresponding figures in the Group's consolidated financial statements for the year ending 31 December 2023, similar disclaimer of opinion is expected to recur in the auditor's report for the year ending 31 December 2024.
- (3) The consolidated financial statements of the Group for the year ending 31 December 2025 will not carry any audit modifications.

4. Material uncertainty relating to the going concern basis***Actions taken/to be taken by the Company***

Matters relating to uncertainties relating to going concern will be resolved upon the absence of events or conditions which may cast significant doubt about the going concern assumption of the Group and the occurrence of the following events, including but not limited to

- (1) the Group's maintenance of a net asset and net current asset position and sufficient working capital; and
- (2) the withdrawal of the Petition

(1) Net Assets Position

The Company will restructure its debt by way of the Listco Scheme. The Group will deconsolidate of the financial results and position of the loss-making PRC Optical Fiber Group with net liability position by disposal to the Listco Scheme Company upon resumption. All claims against the Company as at the date on which the Listco Scheme becoming effective (i.e. upon Closing), will be fully and finally discharged by virtue of the implementation of the Listco Scheme. Thereafter, the Remaining Group will remain in a net current asset and net assets position. The Retained Group will have sufficient working capital for its requirement for at least the next 12 months from the date of completion of the Restructuring.

(2) Withdrawal of the Petition:

Upon the Listco Scheme becoming effective, the order to withdraw the petition and to discharge the liquidators to be granted by the Hong Kong Court will take effect.

The Auditors expected that the disclaimers of opinion in relation to (i) loss per share, other receivables, share capital and share premium; and (ii) property, plant and equipment will be carried forward for the years ending 31 December 2022 and 31 December 2023, while the consolidated financial statements of the Group for the year ending 31 December 2024 will not carry any of the above audit modifications.

In respect of the equity investments at fair value through other comprehensive income, the Auditors expected that the relevant disclaimer of opinion will be carried forward for the years ending 31 December 2022 and 31 December 2023 and since the loss/gain from deconsolidation will be shown as corresponding figures in the Group's consolidated financial statements for the year ending 31 December 2023, the Auditors expected that similar disclaimer of opinion would recur in the Group's consolidated financial statements for the year ending 31 December 2024. The consolidated financial statements of the Group for the year ending 31 December 2025 will not carry such audit modifications.

In respect of the disclaimer of opinion in relation to the material uncertainty relating to the going concern basis, the Auditors expected that such disclaimer will be carried forward for the year ending 31 December 2022, while the consolidated financial statements of the Group for the year ending 31 December 2023 will not carry such audit modifications upon completion of the Restructuring and the withdrawal of the Petition such that the Retained Group will remain in a net current asset and net assets position and the Retained Group will have sufficient working capital for its requirement for at least the next 12 months from the date of completion of the Restructuring.

5. STATEMENT OF INDEBTEDNESS OF THE GROUP

Indebtedness

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had (i) secured bank borrowings of approximately RMB45.7 million granted from banks to three subsidiaries of the Company; (ii) unsecured corporate bonds with an aggregate amount of approximately RMB332.6 million; and (iii) guaranteed notes with an aggregate amount of approximately RMB144.3 million which are guaranteed by Mr. Jiang.

The securities of the secured bank facilities of the Group of approximately RMB45.7 million as at 30 September 2022 are as follows:

1. Bank borrowings of approximately RMB34.7 million are secured by personal guarantee from Mr. Jiang, the executive Director and chairman of the Company and a corporate guarantee provided by the Company;
2. Bank borrowings of approximately RMB9 million are secured by guarantees from an Independent Third Party, 北京首創融資擔保有限公司 (transliterated as Beijing Shouchuan Financing Guarantee Company Limited) which are in turn secured by the personal guaranteed from Mr. Jiang and Ms. Guo Aru, a shareholder of the Company and are pledged by investment property of approximately RMB9,200,000; and
3. Bank borrowings of approximately RMB2 million are secured by guarantees from an Independent Third Party, 北京中技知識產權融資擔保有限公司 (transliterated as Beijing Zhongji Intellectual Property Financing Guarantee Company Limited) which are in turn secured by the personal guarantee from Mr. Chen Xiaotong, a shareholder of the Company and are pledged by investment property of approximately RMB5.5 million, property, plant and equipment of approximately RMB5.5 million and intangible assets.

Financial guarantee liabilities

At the close of business on 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had issued guarantee of approximately RMB34.7 million to a bank in respect of the Group's secured bank facilities. The maximum liability of the Group under guarantees as at 30 September 2022 amounted to approximately RMB34.7 million.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, the Group did not have any bank overdrafts, loans or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

6. MATERIAL CHANGES

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (a) as disclosed in the announcement of the Company dated on 4 April 2022, on 29 March 2022, the Company, GSC (formerly known as Harrod Invest Limited) and Mr. Jiang entered into the Framework Agreement, in relation to, among others, GSC'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 of the Group, involving (i) the possible subscription of the Shares to be issued and allotted by the Company; (ii) the entering into of the Hong Kong Scheme; and (iii) the Capital Reduction and Sub-division of unissued Shares;
- (b) as disclosed in the announcement of the Company dated 16 May 2022, to provide flexibility for the possible issue of new shares by the Company under the Subscription and the Hong Kong Scheme as part of the Restructuring, the Company proposed to implement (i) the Capital Reduction involving the reduction of the par value of each issued Share from HK\$0.10 to HK\$0.001 by cancelling the paid-up share capital to the extent of HK\$0.099 per issued Share so that following such reduction, each issued Share with a par value of HK\$0.10 in the share capital of the Company shall become one New Share with a par value of HK\$0.001; and (ii) and the Sub-division immediately following the Capital Reduction becoming effective, such that each authorized but unissued Share with a par value of HK\$0.10 will be sub-divided into 100 authorized but unissued New Shares with a par value of HK\$0.001 each. The resolutions on the Capital Reduction and the Sub-division were duly passed by the Shareholders by way of poll at the extraordinary general meeting of the Company on 27 June 2022;

- (c) as disclosed in the announcement of the Company dated 4 August 2022, on 24 June 2022, GSC entered into a loan agreement with a wholly-owned subsidiary of the Company (the “**Borrower**”), pursuant to which GSC agreed to grant an interest-free term loan in the amount of up to HK\$10,000,000 to the Borrower (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 Borrower in Hong Kong as security for the Loan. The total Loan amount of HK\$10,000,000 has been drawn down on 28 June 2022;
- (d) as disclosed in the announcement of the Company dated 16 September 2022 and 4 November 2022, on 5 July 2022, Beijing Yin Ao Law Firm (北京市銀奧律師事務所) received an electronic copy of a letter issued by the Former Subscriber, which has entered into a memorandum of understanding with the Company relating to the Potential Cooperation and subscription agreement with the Company relating to the Former Subscription on 3 January 2020 and 23 April 2020 respectively, claiming that all signatures of the representatives of the Former Subscriber and the seals of the Former Subscriber affixed in the documents in relation to the Potential Cooperation and the Former Subscription, were forged and all the documents, hence the Former Subscription, were unauthorised. To further investigate into the Suspected Unauthorized Subscription, the Company has resolved on 22 August 2022 to form the Special Investigation Committee comprising the independent non-executive directors of the Company, namely, Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng and the executive director of the Company, Mr. Mok Kwan Leong. Mr. Mok Kwan Leong was elected as the chairman of the Special Investigation Committee. On the same day, WM Corporate Advisory Limited has been appointed as the Independent Investigator to conduct the Specific Internal Control Review. On 23 September 2022, the Company received from the Stock Exchange a letter that set out the additional resumption guidance for the Company (a) to conduct an independent forensic investigation into the Suspected Unauthorized Subscription, announce the findings and take appropriate remedial actions; and (b) to 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. On 12 October 2022, Frank Forensic and Corporate Recovery Limited was appointed as the Forensic Investigator to conduct the Independent Forensic Investigation. The Forensic Investigator and the Independent Investigator has respectively completed the Independent Forensic Investigation and the Specific Internal Control Review, and issued its report to the Special Investigation Committee respectively. The Special Investigation Committee, having reviewed the findings and results of the Independent Forensic Investigation and the Specific Internal Control Review, presented the two reports (i.e. the Independent Forensic Investigation Report and the Specific Internal Control Review Report), together with the views and recommendations of the Special Investigation Committee, to the Board for consideration and approval on 4 November 2022;

- (e) as disclosed in the announcement of the Company dated 11 October 2022, 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 which involves (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the Hong Kong Scheme; (vi) the PRC Debt Arrangement; and (vii) the Resumption; and
- (f) as disclosed in the interim report of the Company for the six months ended 30 June 2022 (“HY2022”) dated 4 November 2022,
- (i) the unaudited net loss was increased by approximately RMB20.01 million or 107.2% from approximately RMB18.67 million for the six months ended 30 June 2021 (“HY2021”) to approximately RMB38.69 million for HY2022, which was mainly attributable to, among others, the following factors:
- (1) an increase in revenue of the Group by approximately RMB21.56 million or 411.3% from approximately RMB5.24 million for HY2021 to approximately RMB26.80 million for HY2022, mainly due to the increase in both the provision of design, deployment and maintenance of optical fiber services and the provision of environmentally intelligent technical products and services, which the Group completed several environmentally intelligent technical services carried forward from 2021 and the additional revenue contributed from the new optical fiber services center in Thailand and Hong Kong as set up in early 2022;
 - (2) a change from gross loss of the Group of approximately RMB0.40 million for HY2021 to gross profit of approximately RMB5.74 million for HY2022, mainly due to the increase in revenue as mentioned above and the tight control on the overhead cost by the Group;
 - (3) a decrease in other gain of the Group by approximately RMB8.51 million or 100.0% from approximately RMB8.51 million for HY2021 to nil for HY2022, mainly due to absence of the investment at fair value through profit or loss for HY2022; and
 - (4) an increase in finance costs of the Group by approximately RMB19.81 million or 131.8% from approximately RMB15.03 million for HY2021 to approximately RMB34.84 million for HY2022, mainly due to the increase of net foreign exchange loss of approximately RMB22.51 million;

- (ii) the unaudited property, plant and equipment increased by approximately RMB4.55 million or 49.9% from approximately RMB9.10 million as at 31 December 2021 to approximately RMB13.65 million as at 30 June 2022, which was mainly due to the inclusion of office equipment from the Thailand Subsidiary, which was previously treated as associate, during HY2022;
- (iii) the unaudited investment properties decrease by approximately RMB9.88 million or 67.3% from approximately RMB14.69 million as at 31 December 2021 to approximately RMB4.81 million as at 30 June 2022, which was mainly due to impairment of investment property, during HY2022;
- (iv) the unaudited interest in an associate decreased by approximately RMB1.28 million or 100.0% from approximately RMB1.28 million as at 31 December 2021 to nil at 30 June 2022, which was mainly due to consolidation of the Thailand Subsidiary, which was previously treated as associate during HY2022;
- (v) the unaudited trade and bill receivables increased by approximately RMB13.80 million or 38.0% from approximately RMB36.31 million as at 31 December 2021 to approximately RMB50.11 million as at 30 June 2022, which was mainly due to the increase in revenue as discussed above;
- (vi) the unaudited net cash flows in relation to operating activities increased from an outflow of approximately RMB12.22 million for HY2021 to an inflow of approximately RMB0.68 million for HY2022, which was mainly due to the cash received from the customers resulted from the increase in revenue as discussed above and increase in trade and other payables; and
- (vii) the unaudited net cash generated from financing activities of approximately RMB4.59 million for HY2022 represented a decrease of approximately RMB3.88 million or 45.8% as compared with that of approximately RMB8.47 million for HY2021, which was mainly due to the loans provided by GSC partially offset by repayment of bank loans and interest during HY2022.

7. WORKING CAPITAL

The working capital forecast has been prepared based on certain significant assumptions including:

- (i) the proceeds of approximately HK\$100,000,000 assumed to be financed from the Subscription during the working capital forecast period;
- (ii) the success in transfer of the Excluded Subsidiaries to Scheme Co at nominal consideration;

- (iii) the proceeds of approximately HK\$6,666,527 assumed to be financed from the Placing during the working capital forecast period, which is contingent on several conditions being fulfilled; and
- (iv) the success in Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement,

which is contingent on several conditions being fulfilled.

The working capital forecast does not include any adjustments that would result from the failure to complete the Subscription, transfer of the Excluded Subsidiaries to Scheme Co at nominal consideration, the Placing and Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement. In view of the extent of the uncertainties relating to significant assumptions made by the Directors mentioned above, the auditors of the Company qualified their opinion in respect of the uncertainties relating to the assumptions made in the working capital forecast for the completion of the Subscription, transfer of the Excluded Subsidiaries to Scheme Co at nominal consideration, the Placing and Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement.

On the basis of their procedures, the auditors of the Company report that except for the matter described in the above section, in their opinion, the statement relating to the sufficiency of working capital of the Company and its subsidiaries relating has been made by the Directors after due and careful enquiry.

In order to address the qualified opinion above, 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 which involves (i) the Capital Reorganization; (ii) the Subscription; (iii) the Group Reorganization; (iv) the Placing; (v) the Hong Kong Scheme; (vi) the PRC Debt Arrangement; and (vii) the Resumption.

After taking into account the abovementioned factors, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of publication of this Circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP**

The accompanying unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2022 (the “**Unaudited Pro Forma Financial Information**”) has been prepared as if proposed restructuring involving (i) capital reorganisation, (ii) subscription, (iii) group reorganisation, (iv) placing, (v) Hong Kong scheme, (vi) PRC debt arrangement and (vii) resumption (the “**Restructuring**”) has been completed on 30 June 2022 to illustrate the effect of the consolidated statement of assets and liabilities of the Group as at 30 June 2022 and has been completed on 1 January 2022 to illustrate the effect of the consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2022.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 and the unaudited condensed consolidated statement of profit of loss and other comprehensive income of the Group for the six months ended 30 June 2022 after making certain unaudited pro forma adjustments resulting from the Restructuring assuming its completion on 30 June 2022 and 1 January 2022 respectively.

The Unaudited Pro Forma Financial Information of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Group, it may not give a true picture of the actual financial position results of operation of the Group that would have been attained had the Restructuring actually occurred on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information of the Group does not purport to predict the Group’s future financial position results of operation.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as set out in the interim report of the Group for the six month ended 30 June 2022 and other financial information included elsewhere in this Circular.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 Jun 2022 RMB'000 (Note 1)	Transfer of asset and liabilities of the Excluded Subsidiaries to the Scheme Co RMB'000 (Note 2)	Pro forma adjustments					Unaudited pro forma condensed consolidated statement of assets and liabilities of the Group as at 30 Jun 2022 RMB'000
			Reversal of invalid Subscription RMB'000 (Note 3)	The Subscription of Shares RMB'000 (Note 4)	The Placing of new shares RMB'000 (Note 5)	Implementing the Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement RMB'000 (Note 6)	Professional fee RMB'000 (Note 7)	
NON-CURRENT ASSETS								
Property, plant and equipment	13,645	(3,267)	-	-	-	-	-	10,378
Investment properties	4,807	-	-	-	-	-	-	4,807
Equity investments at fair value through other comprehensive income	22,036	(22,036)	-	-	-	-	-	-
Total non-current assets	40,488	(25,303)	-	-	-	-	-	15,185
CURRENT ASSETS								
Inventories	1,619	(1,465)	-	-	-	-	-	154
Trade and bill receivables	50,106	(31,439)	-	-	-	-	-	18,667
Loan to customers	46,369	(46,369)	-	-	-	-	-	-
Contract assets	35,138	(30,729)	-	-	-	-	-	4,409
Prepayments, deposit and other receivables	136,893	(11,373)	(115,457)	-	-	-	-	10,063
Cash at bank and on hand	20,904	(11,300)	-	90,909	6,061	(58,455)	(20,000)	28,119
Total current assets	291,029	(132,675)	(115,457)	90,909	6,061	(58,455)	(20,000)	61,412
CURRENT LIABILITIES								
Trade and other payables	277,428	(144,588)	-	-	-	(89,992)	(1,805)	41,043
Payables for acquisition of a subsidiary	27,500	(27,500)	-	-	-	-	-	-
Bank and other borrowings	45,727	(9,000)	-	-	-	(34,727)	-	2,000
Corporate bonds	330,252	-	-	-	-	(330,252)	-	-
Guaranteed notes	140,336	-	-	-	-	(140,336)	-	-
Loan from an investor	12,823	-	-	-	-	-	(4,271)	8,552
Lease liabilities	412	(412)	-	-	-	-	-	-
Income tax payable	21,162	(21,162)	-	-	-	-	-	-
Provision for warranties	785	(785)	-	-	-	-	-	-
Total current liabilities	856,425	(203,447)	-	-	-	(595,307)	(6,076)	51,595
NET CURRENT (LIABILITIES)/ASSETS	(565,396)	70,772	(115,457)	90,909	6,061	536,852	(13,924)	9,817
TOTAL ASSETS LESS CURRENT LIABILITIES	(524,908)	45,469	(115,457)	90,909	6,061	536,852	(13,924)	25,002
NON-CURRENT LIABILITIES								
Lease liabilities	2,371	(2,371)	-	-	-	-	-	-
Total non-current liabilities	2,371	(2,371)	-	-	-	-	-	-
Net (liabilities)/assets	(527,279)	47,840	(115,457)	90,909	6,061	536,852	(13,924)	25,002

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME OF THE GROUP**

	Unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 Jun 2022 RMB'000 (Note 1)	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 Jun 2022 RMB'000	
		Excluding the loss for the six months period ended 30 June 2022 of the Excluded Subsidiaries RMB'000 (Note 2)	Recognition of the gain from disposal of subsidiaries RMB'000 (Note 2)	Implementing the Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement RMB'000 (Note 6)		Professional fee RMB'000 (Note 7)
Revenue	26,795	(10,238)	–	–	–	16,557
Cost of sales/services	(21,059)	8,359	–	–	–	(12,700)
Gross profit	5,736	(1,879)	–	–	–	3,857
Interest income	25	(20)	–	–	–	5
Other income	2,845	–	–	–	–	2,845
Other gains/(losses)	–	–	44,817	502,067	–	546,884
Selling expenses	(1,075)	348	–	–	–	(727)
Administrative expenses	(10,573)	3,767	–	–	(13,924)	(20,730)
Research and development expenses	(807)	807	–	–	–	–
Operating (loss)/profit	(3,849)	3,023	44,817	502,067	(13,924)	532,134
Finance costs	(34,836)	–	–	34,785	–	(51)
(Loss)/Profit before taxation	(38,685)	3,023	44,817	536,852	(13,924)	532,083
Income tax credit	–	–	–	–	–	–
(Loss)/Profit for the period	(38,685)	3,023	44,817	536,852	(13,924)	532,083
Other comprehensive income for the period (after tax): <i>Items that will not be reclassified to profit or loss:</i>						
– Exchange differences on translation of financial statements into presentation currency	18	–	–	–	–	18
Total comprehensive (loss)/income for the period	(38,667)	3,023	44,817	536,852	(13,924)	532,101

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1 The unaudited condensed consolidated statement of assets and liabilities as at 30 June 2022 and the unaudited condensed consolidated statement of profit or loss of the Group for the six months ended 30 June 2022 is extracted from the Group's interim report for the six months ended 30 June 2022 dated 4 November 2022.

2 The adjustment represents the transfer of Excluded Subsidiaries to Scheme Co with reference to "The Group Reorganisation" on page 26 and 27 of this Circular, at a nominal consideration.

(a) Transfer of asset and liabilities of the Excluded Subsidiaries to the Scheme Co

RMB'000

Transfer of asset of the Excluded Subsidiaries to the Scheme Co

Property, plant and equipment	(3,267)
Equity investments at fair value through other comprehensive income	(22,036)
Inventories	(1,465)
Trade and bill receivables	(31,439)
Loan to customers	(46,369)
Contract assets	(30,729)
Prepayments, deposit and other receivables	(11,373)
Cash at bank and on hand	<u>(11,300)</u>
	<u><u>(157,978)</u></u>

RMB'000

Transfer of liabilities of the Excluded Subsidiaries to the Scheme Co

Trade and other payables	144,588
Payables for acquisition of a subsidiary	27,500
Bank and other borrowings	9,000
Lease liabilities	2,783
Income tax payable	21,162
Provision for warranties	785
	<u>205,818</u>

Gain on disposal of the Excluded Subsidiaries as at 30 June 2022 47,840

Loss for the six months period ended 30 June 2022 of the Excluded Subsidiaries (3,023)

Gain on disposal of the Excluded Subsidiaries as at 1 January 2022 44,817

(b) Loss for the six months period ended 30 June 2022 of the Excluded Subsidiaries

RMB'000

Revenue	(10,238)
Cost of sales/services	8,359
Interest income	(20)
Selling expenses	348
Administrative expenses	3,767
Research and development expenses	807
	<u>3,023</u>

Loss for the six months period ended 30 June 2022 of the Excluded Subsidiaries 3,023

- 3 The adjustment reflects the effect of the reversal of subscription of shares in 2020 amounting to approximately RMB115,457,000 due to invalid authorization, assuming the reversal had concurrently taken place on 30 June 2022. Other receivables are reduced by RMB115,457,000
- 4 The adjustment represents the effect of the subscription share and issue by the Company to the Investor 21,449,572,237 new shares at the Issue Price of HK\$0.004662 per new share with the par value of HK\$0.001 each to raise the fund amounting to HK\$100,000,000 (equivalent to RMB90,909,000) with references to “The Subscription” on pages 23-26. Pursuant to which the Company’s share capital will be increased by approximately RMB21,450,000 (equivalent to RMB19,500,000) and its share premium account will be increased amounting to HK\$78,550,000 (equivalent to RMB71,409,000).

- 5 The adjustment represents the effect of the placement share and issue by the Company to an independent party 1,429,971,471 new shares at the Issue Price of HK\$0.004662 per new share with the par value of HK\$0.001 each to raise the fund amounting to HK\$6,667,000 (equivalent to RMB6,061,000) with references to “The Placing” on page 27-29. Pursuant to which the Company’s share capital will be increased by approximately HK\$1,430,000 (equivalent to RMB1,300,000) and its share premium account will be increased amounting to HK\$5,237,000 (equivalent to RMB4,761,000).
- 6 The adjustment represents the effect of the Company implementing the Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement with references to “The Hong Kong Scheme” on page 29-31 and “The PRC Debt Arrangement” on page 31. The Provisional Liquidators estimated the total settlement consideration implementing the Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement of the Group was HK\$64,300,000 (equivalent to RMB58,455,000). As a result, the Group recognised a gain on implementing the Hong Kong Scheme for settling the Admitted Scheme Claims and the PRC Debt Arrangement of RMB536,852,000 in unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2022 and RMB502,067,000 in unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the six months period ended 30 June 2022 excluding the accrual of finance costs of RMB34,785,000 for the six months period ended 30 June 2022.
- 7 The adjustment reflects the effect of total cash payment amounting to HK\$22,000,000 (equivalent to RMB20,000,000) including the settlement of accrued professional fee amounting to RMB1,805,000, settlement of loan from an investor amounting to RMB4,271,000, and payment of professional fee amounting to RMB13,924,000.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited
Certified Public Accountants

2 December 2022

Joint and Several Provisional Liquidators
China U-Ton Future Space Industrial Group Holdings Ltd.
(In Liquidation)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of China U-Ton Future Space Industrial Group Holdings Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 and related notes as set out in Appendix II of the circular (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are set out in Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed restructuring on the Group’s financial position as at 30 June 2022 as if the events and transaction described in the Circular had been taken place at 30 June 2022 and on the Group’s financial performance for the six months ended 30 June 2022 as if the events and transactions described in the Circular had taken place as at 1 January 2022. As part of this process, information about the Group’s financial position and financial performance has been extracted by the directors from the Group’s condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2022, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudit Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudit Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudit Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudit Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudit Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2022 and 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Practising Certificate Number P07374

Hong Kong, 2 December 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Investors Concert Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Dr. Chuang) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

The Liquidators jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Investors Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Dr. Chuang) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Dr. Chuang, for himself and as sole director of GSC, accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, the opinions expressed in this circular (other than those expressed by the Directors and the Liquidators) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Capital Reorganization having become effective and completion of the Subscription, the Placing and the Hong Kong Scheme are expected to be as follows:

	As at the Latest Practicable Date	Immediately after the Capital Reorganization having become effective and completion of the Subscription, the Placing, and the Hong Kong Scheme
Par value	HK\$0.10 per Share	HK\$0.001 per New Share
Amount of the authorized share capital	HK\$400,000,000	HK\$400,000,000
Number of authorized shares	4,000,000,000 Shares	400,000,000,000 New Shares
Amount of the issued share capital	HK\$285,994,296.50	HK\$2,859,942.965
Number of issued shares	2,859,942,965 Shares	28,599,429,649 New Shares

The Subscription Shares, the Creditors' Shares and the Placing Shares (when fully paid and allotted) will rank *pari passu* in all respects among themselves and the New Shares in issue as at the date of allotment and issuance of the Subscription Shares, Creditors' Shares and Placing Shares, including all rights to all future dividends or distributions, which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Subscription Shares, the Creditors' Shares and the Placing Shares, as well as rights to voting and interest in capital. As at the Latest Practicable Date, there was no arrangements under which future dividends are waived or agreed to be waived.

Subject to as provided in the Memorandum and Articles of Association and the applicable laws, the Company shall not alter the rights attached to the Shares, the New Shares, the Placing Shares, the Subscription Shares, and the Creditors' Shares without passing a special resolution by the Shareholders.

As at the Latest Practicable Date, save for the Shares, no share, option, warrant, conversion right or any equity or debt securities of the Company is outstanding or is proposed to be issued for cash or otherwise and none of the Directors, promoters or experts have received any commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the proposed Capital Reorganization, the Subscription, the Placing and the Hong Kong Scheme. The Company has not issued any new Shares since 31 December 2021, being the latest financial year end.

Save as disclosed in the paragraph headed "7. Material Contracts" in this appendix, the Group does not have any charges, mortgages or any other contingent liabilities or guarantees.

The Shares are listed on the main board of the Stock Exchange. None of the equity or debt securities of the Company is listed or dealt in any other stock exchange and listing or permission to deal in the Shares or loan capital of the Company is not being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, other than the Capital Reorganization proposed to be implemented, none of the capital of any member of the Group (i) has been altered since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, or (ii) is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTEREST

(a) Interests of Directors

As at the Latest Practicable Date, the following Director(s) has or is deemed to have any interests or short positions in the shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Jiang (Note 2 and note 3)	The Company	Interest of a controlled corporation	542,035,000 Shares (L)	18.95%
	The Company	Beneficial owner	6,400,000 Shares (L)	0.22%
	The Company	Interest of spouse	10,195,000 Shares (L)	0.36%

Notes:

- The letter "L" denotes the directors' long position in the Shares or the relevant associated corporation.
- The 542,350,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang, an executive Director. Therefore, Mr. Jiang is deemed to be interested in the 542,350,000 Shares owned by Bright Warm Limited by virtue of the SFO.
- Ms. Guo Aru ("**Ms. Guo**") is the spouse of Mr. Jiang. Ms. Guo held 10,195,000 Shares directly. Mr. Jiang is deemed to be interested in the 10,195,000 Shares held by Ms. Guo by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeover Code.

(b) Interests of Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Ms. Guo (Note 2)	The Company	Interest of spouse	548,435,000 Shares (L)	19.18%
		Beneficial owner	10,195,000 Shares (L)	0.36%
Bright Warm Limited (Note 2)	The Company	Beneficial owner	542,035,000 Shares (L)	18.95%
China Fund Limited (Note 3)	The Company	Beneficial owner	162,783,000 Shares (L)	5.69%
Mr. Liu Xuezhong (Note 3)	The Company	Interest of controlled corporation	162,783,000 Shares (L)	5.69%
Ms. Li Yuelan (Note 3)	The Company	Interest of controlled corporation	162,783,000 Shares (L)	5.69%

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Hifood Group Holdings Co., Ltd. (Note 4)	The Company	Beneficial owner	200,540,000 Shares (L)	7.01%
Hainan Province Cihang Foundation (海南省慈航公益基金會) (Note 4)	The Company	Interest of controlled corporation	200,540,000 Shares (L)	7.01%
Mighty Mark Investments Limited (Note 5)	The Company	Beneficial owner	169,545,000 Shares (L)	5.93%
Ms. Cheng Weihong (Note 5)	The Company	Interest of controlled corporation	169,545,000 Shares (L)	5.93%
Mr. Chen Xiaotong (Note 6)	The Company	Interest of controlled corporation	213,797,100 Shares (L)	7.48%
		Beneficial owner	28,224,200 Shares (L)	0.99%
Beijing Xingyun Venture Capital Co., Ltd* (北京星雲創業投資有限公司) (Note 6)	The Company	Beneficial owner	213,797,100	7.48%

Notes:

- The letter "L" denotes the person's long position in the Shares or the relevant Group member.
- Ms. Guo is the spouse of Mr. Jiang. Therefore, Ms. Guo is deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited and the 6,400,000 Shares owned by Mr. Jiang by virtue of the SFO. Bright Warm Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Jiang, an executive Director. Therefore, Mr. Jiang is also deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited by virtue of the SFO.
- China Fund Limited is a company incorporated in the Cayman Island and the entire issued share capital of which is beneficially owned by Luckever Holdings Limited, a company incorporated in the Cayman Island, which in turn is owned as to 60.87% and 39.13% by Mr. Liu Xuezhong and Ms. Li Yuelan, respectively. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed to be interested in the 162,783,000 Shares owned by China Fund Limited by virtue of the SFO.

4. Hifood Group Holdings Co., Ltd. is owned as to 74.96% by HNA Aviation Investment Holding Company Ltd. HNA Aviation Investment Holding Company Ltd. is a wholly owned subsidiary of HNA Aviation (Hong Kong) Holdings Co., Limited, which is owned as to 51.28% by HNA Tourism (International) Investment Group Co., Limited. HNA Tourism (International) Investment Group Co., Limited is a wholly owned subsidiary of HNA Tourism International (Hong Kong) Co., Limited, which in turn is a wholly owned subsidiary of HNA Tourism Group Limited* (海航旅遊集團有限公司). HNA Group Co., Ltd. owns 69.96% of HNA Tourism Group Limited* (海航旅遊集團有限公司) and is owned as to 70% by Hainan Traffic Administration Holding Co. Ltd.. Hainan Traffic Administration Holding Co. Ltd. is owned as to 50% by Tang Dynasty Development (Yangpu) Company Limited, which is owned as to 65% by Hainan Province Cihang Foundation. Therefore, Hainan Province Cihang Foundation (together with the abovementioned companies other than Hifood Group Holdings Co., Ltd.), are deemed to be interested in the 200,540,000 Shares owned by Hifood Group Holdings Co., Ltd. by virtue of the SFO.
5. Mighty Mark Investments Limited is a company incorporated in the British Virgin Islands and the entire issued capital of which is beneficially owned by Ms. Cheng Weihong. Therefore, Ms. Cheng Weihong is deemed to be interested in the 169,545,000 Shares owned by Mighty Mark Investments Limited by virtue of the SFO.
6. Beijing Xingyun Venture Capital Co., Ltd.* (北京星雲創業投資有限公司) (“**Beijing Xingyun**”) is a company established in the PRC with limited liability. Beijing Xingyun is owned as to approximately 63.33% by Beijing Xingyun Qingke Investment Center (Limited Partnership)* (北京星雲清科投資中心(有限合夥)) which is in turn owned as to approximately 57.68% by Beijing Xingji City Culture Media Co., Ltd.* (北京星際城市文化傳媒有限公司). Beijing Xingji City Culture Media Co., Ltd.* (北京星際城市文化傳媒有限公司) is owned as to 30% by Yalian Green (Beijing) Trading Co., Ltd.* (亞聯綠色(北京)商貿有限公司) and 70% by Mr. Chen Xiaotong, respectively. Yalian Green (Beijing) Trading Co., Ltd.* (亞聯綠色(北京)商貿有限公司) is owned as to 70% by Mr. Chen Xiaotong. Therefore, Mr. Chen Xiaotong (together with the abovementioned companies other than Beijing Xingyun) are deemed to be interested in the 213,797,100 Shares owned by Beijing Xingyun by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. MARKET PRICES

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 3:00 p.m. on Wednesday, 5 May 2021. Accordingly, information about the closing prices of the Shares on the Stock Exchange on the Latest Practicable Date, on the last business day immediately preceding the date of the Rule 3.5 Announcement and at the end of each of the calendar months during the Relevant Period, is not available. The last closing price on the Last Trading Day before Trading Suspension was HK\$0.161 per Share.

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors was given or would be given any benefits as compensation for loss of office or otherwise in connection with the proposed Restructuring;
- (b) none of the Directors has entered into any agreement, arrangement or understanding with any other person which is conditional on or dependent upon the outcome of the proposed Restructuring or otherwise connected with the proposed Restructuring;
- (c) no member of the Investors Concert Group has entered into any agreement, arrangement or understanding (including any compensation arrangement) with any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the proposed Restructuring;
- (d) no material contract was entered into by any member of the Investors Concert Group in which any Director has a material personal interest; and
- (e) none of the Directors was materially interested in any contract or arrangement subsisting at the date of the circular which was significant to the business of the Group.

6. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) Save for Mr. Jiang, an executive Director and the Chairman of the Company, who is interested in 558,630,000 Shares, none of the Directors was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code) convertible securities, warrants, options or derivatives in the Company or similar rights which were convertible or exchangeable into Shares; Mr. Jiang and his associates will abstain from voting at the EGM in respect of the 558,630,000 Shares;
- (b) none of the Company or any Directors was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options or derivatives in GSC or similar rights which were convertible or exchangeable into shares of GSC;
- (c) none of the Company or any Directors had borrowed or lent any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options, derivatives in the Company or similar rights which were convertible or exchangeable into Shares;

- (d) no Shares acquired by the Investors in pursuance of the Subscription will be transferred, charged or pledged to any other persons;
- (e) save for entering into the Restructuring Agreement and the Subscription Agreement, no members of the Investors Concert Group owned or controlled any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company or any securities that are convertible into Shares or similar rights which are convertible or exchangeable into Shares;
- (f) save for entering into the Restructuring Agreement and the Subscription Agreement, the sole director of GSC (i.e. Dr. Chuang) did not have any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company or any securities that are convertible into Shares or similar rights which are convertible or exchangeable into Shares;
- (g) none of the Independent Shareholders had irrevocably committed himself or herself to vote for or against the resolutions to be proposed at the EGM in respect of the transactions contemplated under the Restructuring Agreement, the grant of Specific Mandates, the Whitewash Waiver, the Special Deal and the appointment of Directors;
- (h) no member of the Investors Concert Group had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (i) none of (i) the subsidiaries of the Company, (ii) any pension fund of the Company or of a subsidiary of the Company, (iii) any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and except fund managers, owned or controlled any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options, or derivatives in the Company or similar rights which are convertible or exchangeable into Shares;
- (j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and

- (k) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

Dealing the Relevant Period:

- (a) none of the Directors and the Company had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in GSC or similar rights which are convertible or exchangeable into shares of GSC;
- (b) none of the Directors had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in GSC or any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (c) save for entering into the Restructuring Agreement and the Subscription Agreement, none of the members of the Investors Concert Group had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company or similar rights which are convertible or exchangeable into Shares; and
- (d) save for entering into the Restructuring Agreement and the Subscription Agreement the sole director of GSC (i.e. Dr. Chuang) did not deal for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company or similar rights which are convertible or exchangeable into Shares.

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business carried out or intended to be carried out by the Company or any of its subsidiaries) within the two years immediately preceding 4 October 2021, being the date six months before 4 April 2022, on which the announcement in relation to the Framework Agreement was published and up to the Latest Practicable Date, which are or may be material:

- (a) the Framework Agreement;
- (b) the Restructuring Agreement;
- (c) the Subscription Agreement;

- (d) the loan agreement entered into by GSC and a wholly-owned subsidiary of the Company dated 24 June 2022; and
- (e) the charge over the entire share capital of a wholly-owned operating subsidiary of the Company dated 24 June 2022.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and the proposed Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies, which:

- (a) are continuous contracts with a notice period of 12 months or more;
- (b) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period;
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) are not determinable within one year without payment of compensation (other than statutory compensation).

9. LITIGATIONS

Winding-up order

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. On 5 May 2021, the hearing of the Petition took place in the Hong Kong Court. Winding up order was made and the Trading Suspension commenced on the same day. On 25 June 2021, Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Maninvest Asia Limited were appointed as joint and several liquidators of the Company pursuant to an order dated 25 June 2021 made by the Hong Kong Court.

To facilitate the Restructuring, 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).

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 announcement will be made in relation to the Hong Kong Court's order or direction as to the Hong Kong Scheme as and when appropriate.

Suspected Unauthorized Subscription

As disclosed in the announcement of the Company dated 16 September 2022, the Company (through its representatives or its subsidiary) was made aware on 5 July 2022 that, Xin Jiang Bo Run Investment Holdings Group Limited* (新疆博潤投資控股集團有限公司) (formerly known as Xin Jiang Bo Run Investment Holdings Limited* (新疆博潤投資控股有限公司)) alleged that the subscription of the shares of the Company by itself on 21 August 2020 was unauthorized.

To investigate into the Suspected Unauthorized Subscription, the Special Investigation Committee has been established by the Board; the Forensic Investigator and the Independent Investigator have been engaged; and the Independent Forensic Investigation Report and the Specific Internal Control Review Report have been produced and submitted to the Special Investigation Committee. The Special Investigation Committee has reviewed the Independent Forensic Investigation Report (including the limitations of the Independent Forensic Investigation) and the Specific Internal Control Review Report (including the limitations of the Specific Internal Control Review). After due and detailed discussion, the Special Investigation Committee is of the view that the content and findings in the Independent Forensic Investigation Report and the Specific Internal Control Review Report are reasonable and acceptable. Accordingly, the Special Investigation Committee has recommended the Board to adopt the findings of the Independent Forensic Investigation and the Specific Internal Control Review and replace the management of the Group with professionals with relevant experience as soon as practicable.

The Board has reviewed the Independent Forensic Investigation Report and the Specific Internal Control Review Report and considered the recommendations made by the Special Investigation Committee. The Board agreed with the views of the Special Investigation Committee and has resolved that these recommendations be implemented as soon as practicable.

The Board is of the view that the issues identified in the Independent Forensic Investigation Report and the Specific Internal Control Review Report do not have material adverse impact on the business operations of the Retained Group. Despite the likely change in management personnel, the Group's business operations continue as usual despite the suspension of trading in the Shares since 5 May 2021.

* *The English translation is for reference only.*

Since April 2021, the Group has been communicating with the relevant police and judiciary authorities regarding the suspected misappropriation of the subscription amount by Ms. Guo Yezi. To the best knowledge of the Company, the case was still under investigation of the relevant authorities as at the date of this circular. The Company has also issued letters through its legal representatives to relevant parties to make enquiries. As at the Latest Practicable Date, the Company is not involved in any material litigation in relation to the Suspected Unauthorized Subscription.

10. EXPERTS AND CONSENT

The following is the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified public accountants
INCU Corporate Finance Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the experts mentioned above has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Octal Capital Limited (“**Octal**”) and SPDB International Capital Limited (“**SPDBI**”) has given and has not withdrawn its written consent to the issue of this circular with the reference to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, each of Octal, SPDBI, the Independent Financial Adviser and ZHONGHUI ANDA was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. CORPORATE INFORMATION**The Investors**

GSC GSC Limited (formerly known as Harrod Invest Limited), a company incorporated in the Republic of the Marshall Islands with limited liability with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands MH 96960 and whose correspondence address in Hong Kong is at Suite 2005, 20/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

Dr. Chuang Dr. Chuang Tze Cheung, Christopher, the sole director and sole beneficial owner of each of GSC and whose correspondence address in Hong Kong is at Suite 2005, 20/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

Other parties

Financial Adviser to the Company **Octal Capital Limited**
801-805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong

Financial Adviser to the Investors **SPDB International Capital Limited**
33/F, One Hennessy, 1 Hennessy Road, Hong Kong

Independent Financial Adviser **INCU Corporate Finance Limited**
Unit 1402, 14/F, Winsome House,
73 Wyndham Street, Central, Hong Kong

12. GENERAL

If there is any inconsistency between the Chinese names of PRC entities, government authorities, institutions, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail. Other than that, the English text of this circular shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on (i) the website of the SFC (www.sfc.hk); (ii) the website of the Stock Exchange at www.hkexnews.hk; and (iii) on the Company's website (www.chinauton.com.hk) from the date of this circular up to and including the date of the EGM.

- (a) Memorandum and Articles of Association;
- (b) the annual reports of the Company for the years ended 31 December 2020 and 2021 and the interim reports of the Company for the six-months ended 30 June 2022;
- (c) the letter from the Liquidators as set out in this circular;
- (d) the letter from the Independent Board Committee as set out in this circular;
- (e) the letter from the Independent Financial Adviser as set out in this circular;
- (f) the unaudited pro forma consolidated statement of financial position and consolidated statement of profit and loss of the Group as set out in Appendix II to this circular;
- (g) the report from the Auditors on unaudited pro forma consolidated statement of financial position and consolidated statement of profit or loss of the Group, the text of which is set out in Appendix II to this circular;
- (h) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;
- (i) memorandum and articles of association of GSC;
- (j) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (k) the Independent Forensic Investigation Report;
- (l) the Specific Internal Control Review Report; and
- (m) the order made by the Cayman Court dated 22 November 2022 (Cayman Islands time).

NOTICE OF EGM



中国优通控股
China UT Holding

CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD. 中國優通未來空間產業集團控股有限公司

(In Liquidation)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6168)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China U-Ton Future Space Industrial Group Holdings Ltd. (In Liquidation) (the “Company”) will be held at Units 1405-1407, Dominion Centre, 43-59 Queen’s Road East, Wan Chai, Hong Kong at 10:00 a.m. on Friday, 30 December 2022 to consider and, if thought fit, approve, with or without modification, the following resolutions:

AS ORDINARY RESOLUTIONS

Restructuring Agreement

1. “**THAT:**

- (a) the terms of the restructuring agreement dated 29 September 2022 (“**Restructuring Agreement**”) entered into by and among the Company, its joint and several liquidators (the “**Liquidators**”) and Dr. Chuang Tze Cheung Christopher and GSC Limited (together with Dr. Chuang Tze Cheung Christopher, the “**Investors**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purposes) for the implementation of the restructuring of the Group comprising, among other things, (i) the proposed capital reduction of the Company involving the cancellation of paid up capital to the extent of HK\$0.099 on each of the shares in the Company (the “**Shares**”) by reducing of the nominal value of all of the issued and unissued Shares from HK\$0.10 each to HK\$0.001 (the “**Capital Reduction**”) and the sub division of each authorized but unissued share into 100 new authorized but unissued shares after the Capital Reduction (“**Sub-division**”, together with the Capital Reduction, the “**Capital Reorganization**”, and the new share(s) following the Capital Reorganization of unissued shares becoming effective with a par value of HK\$0.001 each shall be referred to as “**New Share(s)**”); (ii) the subscription of the Investors of 21,449,572,237 New Shares (the “**Subscription**”); (iii) the proposed placing of up to 1,429,971,482 New Shares (the “**Placing**”); (v) the proposed scheme of arrangement pursuant to section 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622) and to be made between the Company and its creditors (the “**Hong Kong Scheme**”), and the transactions contemplated thereunder and the execution and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;

NOTICE OF EGM

- (b) the terms of the subscription agreement entered into by the Company, the Liquidators, and the Investors as subscribers and the execution and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;
- (c) the allotment and issue of shares by the Company for the subscription of 21,449,572,237 New Shares (the “**Subscription Shares**”) by the Investors, be and are hereby confirmed, ratified and approved;
- (d) the allotment and issue of shares by the Company for the placing (the “**Subscription**”) of up to 1,429,971,482 New Shares (the “**Placing Shares**”) be and are hereby confirmed, ratified and approved;
- (e) the allotment and issue of 2,859,942,965 New Shares (the “**Creditors’ Shares**”) by the Company to a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the scheme administrators under the Hong Kong Scheme be and are hereby confirmed, ratified and approved; and
- (f) any one of the Liquidators or any one Director be and is hereby authorized generally to do all acts, deeds and things, to take all steps, and to approve, sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required), as they may in their sole and absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with carrying into effect, giving effect to, implementing or completing any of the foregoing, and any and all actions heretofore taken by any one Liquidator or any one Director that are consistent with the aforesaid be and are hereby confirmed, ratified and approved.”

Specific Mandates

2. “**THAT** the directors of the Company be and are hereby granted specific mandates to exercise the powers of the Company to issue and allot the Subscription Shares subject to and in accordance with the terms and conditions of the Subscription Agreement, to issue and allot the Placing Shares in accordance with the terms and conditions set out in the Restructuring Agreement, and to issue and allot the Creditors’ Shares in accordance with the terms and conditions of the Hong Kong Scheme.”

NOTICE OF EGM

Special Deal

3. “**THAT** conditional upon the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) granting consent to the proposed settlement of indebtedness due to Donghai Investment Fund Series SPC, acting on behalf of and for the accounts of Donghai Overseas Stable Income fund SP (“**Donghai**”) which holds 77,380,000 Shares in the Company, and which constitutes a special deal under the Hong Kong Scheme under Note 5 to Rule 25 of the Takeovers Code (the “**Special Deal**”) if Donghai is admitted as a scheme creditor of the Company by the scheme administrators through its participation in the Hong Kong Scheme upon taking effect of the Hong Kong Scheme, the Special Deal be and is hereby confirmed, ratified and approved.”

Appointment of Directors

4. “**THAT** conditional upon the completion of the Restructuring Agreement and the transactions contemplated thereunder and effective from the date of resumption of trading of the Shares (or the New Shares if the Capital Reorganization has become effective) on the Stock Exchange of Hong Kong Limited:–
 - a. Dr. Chuang Tze Cheung Christopher be appointed as an executive Director;
 - b. Ms. Tang Shaofen be appointed as an executive Director;
 - c. Mr. Xie Jinggaung be appointed as an executive Director;
 - d. Ms. Lai Yeung Fun be appointed as an independent non-executive Director;
 - e. Mr. Zhong Weifeng be appointed as an independent non-executive Director; and
 - f. Mr. Zhang Lu Fu be appointed as an independent non-executive Director.”

NOTICE OF EGM

AS A SPECIAL RESOLUTION

Whitewash Waiver

5. “**THAT** subject to the passing of Resolutions Nos. 1 to 3 set out in this Notice:
- a. the whitewash waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive of the Securities and Futures Commission of Hong Kong (the “**SFC**”) pursuant to Note 1 on dispensations from Rule 26 of The Hong Kong Codes on Takeovers and Mergers (the “**Takeovers Code**”) waiving any obligation (either unconditionally or subject to such conditions as may be required by the SFC) on the part of the Investors and parties acting in concert with it/them (which has the meaning as that ascribed in the Takeovers Code, including those presumed to be acting in concert thereunder) to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired upon completion of the Subscription, be and is hereby approved; and
 - b. any one of the Liquidators or any one Director be and is hereby authorized generally to do all acts, deeds and things, to take all steps, and to approve, sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required), as they may in their sole and absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with carrying into effect, giving effect to, implementing or completing any of the foregoing, and any and all actions heretofore taken by any one Liquidator or any one Director that are consistent with the aforesaid be and are hereby confirmed, ratified and approved.”

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

Hong Kong, 2 December 2022

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

NOTICE OF EGM

As at the date of this notice, the executive Directors are Mr. Jiang Changqing, and Mr. Zhao Feng, Ms. Liu Jianzhou, Mr. Chen Qizheng, Mr. Liu Zhen and Mr. Mok Kwan Leong, and the independent non-executive Directors are Mr. Wang Haiyu, Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng.

The affairs, business and property of the Company in Hong Kong are being managed by Mr. Ho Man Kit and Ms. Kong Sze Man Simone, the joint and several liquidators, who act as the agents of the Company only and without personal liability.

Website: www.chinauton.com.hk

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A member holding two or more shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited (the "**Share Registrar**"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours (i.e. Wednesday, 28 December 2022) before the time appointed for the holding of the EGM or any adjournment thereof.
3. 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 be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 20 December 2022.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. If Typhoon Signal No. 8 or above, or extreme conditions caused by super typhoons or a "**black**" rainstorm warning is in effect in Hong Kong any time after 6:30 a.m. on the date of the EGM, the EGM will be adjourned in accordance with the amended and restated articles of association of the Company and the Shareholders will be informed of the date, time and place of the adjourned meeting and, if necessary, be given notice thereof pursuant to the amended and restated articles of association of the Company.
6. Any voting at the EGM shall be taken by poll.