

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, the Scheme, this Scheme Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Scheme Document appears for information purposes only and does not constitute, or form part of, any offer to purchase or subscribe for or an invitation to purchase or subscribe for any securities of the Offeror and the Company. This Scheme Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.



AAG

LIMING HOLDING LIMITED

香港利明控股有限公司

(Incorporated in Hong Kong with limited liability)

AAG Energy Holdings Limited

亞美能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2686)

**(1) CONDITIONAL PROPOSAL FOR THE
PRIVATISATION OF AAG ENERGY HOLDINGS LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

Joint Financial Advisers to the Offeror



信達國際
CINDA INTERNATIONAL

**CINDA INTERNATIONAL
CAPITAL LIMITED**



華融國際融資有限公司
HUARONG INTERNATIONAL CAPITAL LIMITED

**HUARONG INTERNATIONAL
CAPITAL LIMITED**

Financial Adviser to the Company



中國銀河國際
CHINA GALAXY INTERNATIONAL

**CHINA GALAXY INTERNATIONAL SECURITIES
(HONG KONG) CO., LIMITED**

Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

SOMERLEY CAPITAL LIMITED

Unless the context requires otherwise, capitalised terms used in this Scheme Document (including this cover page) shall have the same meaning as those defined in the section headed "Definitions" of this Scheme Document.

A letter from the Board is set out on pages 13 to 24 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme is set out on pages 25 to 26 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in connection with the Proposal and the Scheme is set out on pages 27 to 64 of this Scheme Document. The Explanatory Memorandum is set out on pages 65 to 87 of this Scheme Document. The actions to be taken by the Shareholders are set out on pages 1 to 3 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at 10:00 a.m. and 10:30 a.m. on Thursday, 27 April 2023 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong (or, in the case of the EGM, as soon thereafter as the Court Meeting shall have concluded or been adjourned) are set out on pages NCM-1 to NCM-4 and NGM-1 to NGM-3 of this Scheme Document respectively.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Disinterested Scheme Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and if you are a Shareholder, you are strongly urged to and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed "Actions to be taken" set out on pages 1 to 3 of this Scheme Document. The white form of proxy in respect of the EGM will not be valid if it is not so lodged. In the case of the pink form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting if it is not so lodged. Completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text for the purpose of interpretation.

29 March 2023

NOTICE TO U.S. INVESTORS

The Proposal and the Scheme relate to the cancellation and extinguishment of the securities of a company incorporated under the laws of the Cayman Islands by way of a scheme of arrangement provided for under the Companies Act. The Proposal and the Scheme are subject to Hong Kong procedural disclosure requirements and practices which are different from those of the United States.

The Shares are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules of the Exchange Act. Accordingly, the Proposal and the Scheme are subject to the procedural and disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement and securities offers, which differ from the disclosure and procedural and practice requirements applicable under United States federal securities laws.

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

It may be difficult for a U.S. Scheme Shareholder to enforce his/her/its rights and claims arising out of the U.S. federal securities laws, as the Offeror and the Company are incorporated in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. A U.S. Scheme Shareholder may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for a U.S. Scheme Shareholder to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court’s judgement.

Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved the Proposal or the Scheme, or determined if this Scheme Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer or invitation to purchase or subscribe for any securities of the Company in the United States.

CONTENTS

	<i>Page</i>
ACTIONS TO BE TAKEN	1
DEFINITIONS	4
EXPECTED TIMETABLE	10
LETTER FROM THE BOARD	13
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	27
EXPLANATORY MEMORANDUM	65
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION	II-1
SCHEME OF ARRANGEMENT	S-1
THE SCHEME	TS-1
NOTICE OF COURT MEETING	NCM-1
NOTICE OF EGM	NGM-1

ACTIONS TO BE TAKEN

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 21 April 2023 to Thursday, 27 April 2023 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, the relevant forms of transfer of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 20 April 2023.

A subsequent purchaser of Scheme Shares will need to obtain a form of proxy from the transferor if he, she or it wishes to attend or vote at the Court Meeting or the EGM. A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Disinterested Scheme Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 10:00 a.m. on Tuesday, 25 April 2023, which is 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. The white form of proxy for use at the EGM should be lodged at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 10:30 a.m. on Tuesday, 25 April 2023, which is 48 hours before the time appointed for holding the EGM or any adjournment thereof failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM if, among other things, the resolutions are passed by the requisite majorities of the Disinterested Scheme Shareholders or the Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

ACTIONS TO BE TAKEN

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Offeror and the Company will make an announcement in relation to the results of the Court Meeting and the EGM, in accordance with Rule 19.1 of the Takeovers Code to the extent applicable, on Thursday, 27 April 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among others, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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

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

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

ACTIONS TO BE TAKEN

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

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

Each CCASS Participant who instructs HKSCC Nominees Limited to vote in favour of or against the Scheme shall be counted as a single shareholder and a Beneficial Owner may withdraw shares from CCASS and become a Registered Owner.

3. EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly urged to exercise your right to vote or give instructions to the relevant registered owner to vote in person or by proxy at the Court Meeting and/or at the EGM.

If you keep any shares in a share lending programme, you are strongly urged to recall any outstanding shares on loan to avoid market participants using borrowed stock to vote.

If you are a registered owner holding shares on behalf of beneficial owners, you should inform the relevant beneficial owners about the importance of exercising their right to vote.

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

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

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “concert party” shall be construed accordingly;
“associates”	has the meaning ascribed to it under the Takeovers Code;
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers and consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals (including without limitation any which are required or desirable under or in connection with any applicable laws and regulations or any licenses, permits or contractual obligations of the Company), and all appropriate waiting periods (including extensions thereof), in connection with the Proposal;
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself, herself or itself;
“Board”	the board of Directors;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant;
“Cinda”	Cinda International Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror;
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands;
“Company”	AAG Energy Holdings Limited (亞美能源控股有限公司), a company incorporated as an exempted company with limited liability under the laws of the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2686);
“Condition(s)”	the condition(s) of the Proposal (including the Scheme), as set out in the section headed “Conditions of the Proposal” in the Explanatory Memorandum;

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the case of the Company, being Mr. Ming, Xinjiang Xintai, Sichuan Liming and the Offeror;
“Court Meeting”	a meeting of the Disinterested Scheme Shareholders to be convened at the direction of the Grand Court at 10:00 a.m. on Thursday, 27 April 2023 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong, or any adjournment thereof at which the Scheme (with or without modification) will be voted upon;
“Director(s)”	the director(s) of the Company;
“Disinterested Scheme Shareholder(s)”	holders of the Shares other than the Offeror and the Offeror Concert Parties;
“Disinterested Share(s)”	Shares in issue other than those beneficially owned by the Offeror and the Offeror Concert Parties;
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act;
“EGM”	an extraordinary general meeting of the Company to be convened and to be held at 10:30 a.m. (immediately following the Court Meeting) on Thursday, 27 April 2023 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong, or any adjournment thereof, to consider, and if think fit, approve all necessary resolutions for implementation of the Proposal (including the Scheme) and the Reduction;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Explanatory Memorandum”	the Explanatory Memorandum in relation to the Scheme, the text of which is set out on pages 65 to 87 of this Scheme Document;
“Grand Court”	the Grand Court of the Cayman Islands;
“Grand Court Rules”	The Grand Court Rules (2023 Revision) of the Cayman Islands;
“Group”	the Company together with its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	HKSCC Nominees Limited;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huarong”	Huarong International Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror;
“Independent Board Committee”	the independent board committee of the Company formed to advise the Disinterested Scheme Shareholders on the Proposal;
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee on the Proposal and as to voting;
“Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“Joint Announcement”	the joint announcement dated 17 February 2023 issued by the Offeror and the Company in relation to the Proposal;
“Last Trading Date”	20 January 2023, being the last trading day of the Shares prior to the publication of the Joint Announcement;
“Latest Practicable Date”	24 March 2023, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	the date which is 180 days after the posting of this Scheme Document (or such later date, if any, as (i) the Offeror and the Company may agree in writing; or (ii) to the extent applicable, as the Grand Court may direct, and in all cases, as may be permitted by the Executive), being 25 September 2023;

DEFINITIONS

“Meeting Record Date”	Thursday, 27 April 2023 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Disinterested Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the EGM;
“Mr. Ming”	明再遠先生 (Mr. Ming Zaiyuan*), an executive Director, the chairman of the Board, a Controlling Shareholder, and an Offeror Concert Party who is the controlling shareholder of Xinjiang Xintai (which in turn indirectly wholly owns the Offeror);
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, which commenced on the date of the Joint Announcement (i.e. 17 February 2023) and will end on the date the Scheme becomes effective or lapses;
“Offeror”	Liming Holding Limited, a company incorporated in Hong Kong with limited liability;
“Offeror Concert Party(ies)”	person(s) acting in concert with the Offeror, including but not limited to Mr. Ming, Ms. Zuo Na and Mr. Huang Min;
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant;
“PRC”	the People’s Republic of China which, for the purpose of this Scheme Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Pre-Condition(s)”	the pre-condition(s) to the implementation of the Proposal, details of which are set out in the section headed “Pre-Condition of the Proposal” in the Explanatory Memorandum, which was fulfilled on 27 March 2023;
“Proposal”	the proposed conditional privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions as described in this Scheme Document;
“Reduction”	the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares;

DEFINITIONS

“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares;
“Relevant Period”	the period commencing on the date falling six months prior to the date of the Joint Announcement (i.e. 17 August 2022), and ending on the Latest Practicable Date;
“Relevant Securities”	has the meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scheme”	a scheme of arrangement proposed under Section 86 of the Companies Act for the implementation of the Proposal;
“Scheme Consideration”	the amount of HK\$1.85 per Scheme Share payable by the Offeror in cash to the Scheme Shareholders for the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme;
“Scheme Document”	this composite scheme document (which contains, among others, further details of the Proposal), the accompanying forms of proxy and notices of the Court Meeting and the EGM, despatched by the Offeror and the Company to all Shareholders as required by the Takeovers Code;
“Scheme Record Date”	Thursday, 18 May 2023 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to receive the Scheme Consideration under the Proposal;
“Scheme Share(s)”	Share(s) held by the Scheme Shareholders (being all the Shares other than those held by the Offeror);
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Scheme Record Date;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	Share(s) of US\$0.0001 each in the capital of the Company;

DEFINITIONS

“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Sichuan Liming”	四川利明能源開發有限責任公司 (Sichuan Liming Energy Development Co., Ltd.*), a company incorporated in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities;
“U.S.” or “United States”	United States of America;
“US\$”	the United States dollar, the lawful currency of the United States;
“Xinjiang Xintai”	新疆鑫泰天然氣股份有限公司 (Xinjiang Xintai Natural Gas Co., Ltd.*), a company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 603393); and
“%”	per cent.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition for the sanction of the Scheme and confirmation of the Reduction and the Effective Date, which are the relevant dates in Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

EXPECTED TIMETABLE

All dates are subject to the availability of the Grand Court. The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

Date of despatch of this Scheme Document Wednesday, 29 March 2023

Latest time for lodging transfers of Shares in order
to qualify for entitlement to attend and
vote at the Court Meeting and/or the EGM 4:30 p.m. on Thursday, 20 April 2023

Register of members of the Company closed for
determining entitlement to attend and vote at
the Court Meeting and the EGM (*Note 1*)..... from Friday, 21 April 2023 to
Thursday, 27 April 2023
(both days inclusive)

Latest time for lodging proxy forms in respect of:

- the Court Meeting (*Note 2*) 10:00 a.m. on Tuesday, 25 April 2023
- the EGM (*Note 2*) 10:30 a.m. on Tuesday, 25 April 2023

Meeting Record Date Thursday, 27 April 2023

Court Meeting (*Notes 2 and 3*) 10:00 a.m. on Thursday, 27 April 2023

EGM (*Notes 2 and 3*) 10:30 a.m. on Thursday, 27 April 2023
(or immediately after the conclusion or
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and
the EGM posted on the website of
the Stock Exchange no later than 7:00 p.m.
on Thursday, 27 April 2023

Expected latest time for trading of Shares on
the Stock Exchange 4:10 p.m. on Friday, 28 April 2023

Latest time for lodging transfers of Shares in order
to qualify for entitlements under the Scheme..... 4:30 p.m. on Thursday, 4 May 2023

Register of members of the Company closed for
determining entitlement to qualify under
the Scheme (*Note 4*)..... from Friday, 5 May 2023 onwards

EXPECTED TIMETABLE

Grand Court hearing of the petition for the sanction of the
Scheme and confirmation of the Reduction (*Note 5*)..... Thursday, 18 May 2023
(Cayman Islands time)

Scheme Record Date Thursday, 18 May 2023

Announcement of

- (1) the results of the Grand Court hearing for the petition for the sanction of the Scheme and confirmation of the Reduction;
- (2) the expected Effective Date; and
- (3) the expected date of withdrawal of listing of the Shares on the Stock Exchange

posted on the website of the Stock Exchange no later than 7:00 p.m.
on Friday, 19 May 2023

Announcement of

- (1) the Effective Date;
- (2) the withdrawal of listing of the Shares on the Stock Exchange; and
- (3) date of despatch of cheques to Scheme Shareholders

posted on the website of the Stock Exchange at or before 8:30 a.m.
Monday, 22 May 2023

Effective Date (*Note 5*)..... Monday, 22 May 2023
(Cayman Islands time)

Expected withdrawal of listing of the Shares on
the Stock Exchange becomes effective (*Note 6*) 9:00 a.m.
on Tuesday, 23 May 2023

Cheques for the cash payment under the Proposal
to be despatched (*Note 7*)..... on or before
Thursday, 1 June 2023

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.

EXPECTED TIMETABLE

2. The **pink** proxy form in respect of the Court Meeting and the **white** proxy form in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by the times and dates stated above. The **pink** proxy form for use at the Court Meeting and the **white** proxy form for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid. In the case of the **pink** proxy form in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting if it is not so lodged. The **white** proxy form in respect of the EGM will not be valid if it is not so lodged. The completion and return of the proxy form(s) for the Court Meeting and/or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he, she or it so wishes. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy form(s), the returned proxy form(s) shall be deemed to have been revoked by operation of law. Shareholders are further reminded that the deadline to submit completed proxy forms is Tuesday, 25 April 2023 at 10:00 a.m. (Hong Kong time) (for Court Meeting) or Tuesday, 25 April 2023 at 10:30 a.m. (Hong Kong time) (for EGM), which shall be lodged with the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
3. If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be postponed. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the rescheduled meetings.
4. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme.
5. The Grand Court hearing will be held at the Grand Court. Shareholders have the right to attend, or appear by counsel, and be heard on the hearing of the petition. The Scheme will become effective upon all the Conditions set out in the paragraph headed “Conditions of the Proposal” in the Explanatory Memorandum of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be). The Scheme shall become effective and legally binding when a sealed copy of the order of the Grand Court sanctioning the Scheme (with or without modification) under section 86 of the Companies Act and confirming the Reduction involved in the Scheme together with the minutes approved by the Grand Court in respect of the Reduction that comply with section 17 of the Companies Act shall be delivered to the Registrar of Companies in the Cayman Islands for registration.
6. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Tuesday, 23 May 2023.
7. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within 7 business days (as required by the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Offeror Concert Parties, the Company, Cinda, Huarong, the Independent Financial Adviser and the Share Registrar and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.

LETTER FROM THE BOARD



AAG

AAG Energy Holdings Limited

亞美能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2686)

Executive Directors:

Mr. Ming Zaiyuan (*Chairman*)
Mr. Yan Danhua (*President*)
Mr. Zhang Jianbing (*Vice President*)

Non-executive Director:

Mr. Huang Min

Independent Non-executive Directors:

Mr. Tai Kwok Leung Alexander
Dr. Liu Xiaofeng
Dr. Yang Ruizhao

Registered Office:

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

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

Unit 2506, 25/F
Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

29 March 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE
PRIVATISATION OF AAG ENERGY HOLDINGS LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

Reference is made to the joint announcement dated 17 February 2023 issued by the Offeror and the Company in relation to the Proposal. On 25 January 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act, subject to the Pre-Condition and the Conditions being fulfilled or waived, as applicable.

LETTER FROM THE BOARD

The Pre-Condition has been satisfied by 27 March 2023. Reference is made to the joint announcement issued by the Offeror and the Company dated 27 March 2023 in relation to, among others, the satisfaction of the Pre-Condition.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme, information regarding the Company, the expected timetable and to give you notices of the Court Meeting and of the EGM (together with forms of proxy in relation thereto).

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 25 to 26 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 27 to 64 of this Scheme Document; (iii) the Explanatory Memorandum set out on pages 65 to 87 of this Scheme Document; and (iv) the terms of the Scheme set out on pages S-1 to TS-3 of this Scheme Document.

2. TERMS OF THE PROPOSAL

The Scheme

Subject to the Conditions described in the sections headed “Conditions of the Proposal” in the Explanatory Memorandum on pages 68 to 71 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

Upon completion of the Scheme:

- (i) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled and extinguished in exchange for the payment of the Scheme Consideration of HK\$1.85 in cash for each Scheme Share to be paid by the Offeror;
- (ii) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately upon such Reduction, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished;
- (iii) the Offeror will own 100% of the total number of shares in issue of the Company; and
- (iv) the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules.

LETTER FROM THE BOARD

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Scheme Consideration of HK\$1.85 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

Comparison of value

The Scheme Consideration of HK\$1.85 per Scheme Share represents:

- (i) a premium of approximately 15.6% over the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 10.1% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (iii) a premium of approximately 10.1% over the average closing price of HK\$1.68 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 10.8% over the average closing price of HK\$1.67 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (v) a premium of approximately 24.2% over the average closing price of HK\$1.49 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 25.9% over the average closing price of HK\$1.47 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date; and
- (vii) a discount of approximately 27.5% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$2.55 per Share as at 31 December 2022 (based on the audited consolidated equity attributable to the Shareholders of approximately RMB7,583.64 million (equivalent to approximately HK\$8,645.35 million) as at 31 December 2022 and 3,395,316,832 Shares in issue as at the Latest Practicable Date).

As set out in the section headed “The Proposal” in the Explanatory Memorandum on page 66 of this Scheme Document, the Scheme Consideration has been determined on an arm’s length commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the financial information of the Group and with reference to other similar privatisation transactions in Hong Kong in recent years.

The Scheme Consideration will not be increased, and the Offeror does not reserve the right to do so.

LETTER FROM THE BOARD

Dividend payment by the Company

The Company does not have any outstanding dividends declared as at the Latest Practicable Date and has no intention to declare any dividend prior to completion of the Proposal.

Total consideration

As at the Latest Practicable Date, the Company had 3,395,316,832 Shares in issue. The 1,461,611,946 Scheme Shares represent 43.05% of the total number of shares in issue of the Company.

On the assumption that no further Shares are issued before the Scheme Record Date, the maximum amount of cash required for the Proposal would be HK\$2,703,982,100.10.

Confirmation of financial resources

The Offeror intends to finance the entire cash amount required to implement the Proposal using a combination of its internal cash resources and external debt financing.

Cinda and Huarong, as the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of consideration required to effect the Proposal.

Conditions of the Proposal

The Proposal and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “Conditions of the Proposal” in the Explanatory Memorandum on pages 68 to 71 of this Scheme Document.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions in paragraphs (i) to (iv). The Company does not have the right to waive any of the above Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse.

If the Proposal is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and it is the intention of the Board to continue adhering to its existing business focus and strategies in such.

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

LETTER FROM THE BOARD

With reference to paragraph (v) of the Conditions set out in the section headed “Conditions of the Proposal” in the Explanatory Memorandum, as at the Latest Practicable Date, the Offeror was not aware of any requirement for such Authorisations other than those set out in paragraphs (i) to (iv) of the Conditions. With reference to paragraph (vi) of the Conditions, as at the Latest Practicable Date, the Offeror was not aware of any such action, proceeding, suit, investigation or enquiry, statute, regulation, demand or order. With reference to paragraph (vi) of the Conditions, if it is to be waived by the Offeror, such Condition shall only be waived to the extent that it would not make the implementation of the Proposal be illegal. With reference to paragraph (vii), as at the Latest Practicable Date, the Offeror is not aware of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (i) to (iv) of the Conditions. With reference to paragraph (viii) and (ix) (b) of the Conditions, as at the Latest Practicable Date, the Offeror was not aware of any such event or circumstance.

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

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM on Thursday, 27 April 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Warning: Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

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

LETTER FROM THE BOARD

3. ARRANGEMENTS MATERIAL TO THE PROPOSAL

Pursuant to Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if, in addition to satisfying any voting requirements imposed by the Companies Act:

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

As such, any vote by the Offeror or any of the Offeror Concert Parties who are interested in the Scheme Shares will be disregarded in deciding whether the relevant approval threshold has been met. The Offeror and the Offeror Concert Parties who are interested in the Scheme Shares will abstain from voting on the Scheme at the Court Meeting.

For the purpose of approving the Scheme, the Offeror Concert Parties are considered under the laws of Cayman Islands as having different interests from those of the Disinterested Scheme Shareholders. The Company would have been required to hold a formal meeting of the Offeror Concert Parties as a separate class to consider, and if thought fit, approve (with or without modification) the Scheme. Nevertheless, each of the Offeror and its Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court and the Company to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme. Therefore, such formal meeting of the Offeror Concert Parties is waived on the grounds that all such Offeror Concert Parties who are interested in the Scheme Shares have undertaken to be bound by the terms of the Scheme if sanctioned.

Save as set out above, as at the Latest Practicable Date,

- (a) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror between the Offeror or the Offeror Concert Parties and any other person which might be material to the Proposal;
- (b) there was no agreement or arrangement to which the Offeror or the Offeror Concert Parties was a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition; and
- (c) neither the Offeror nor the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.

LETTER FROM THE BOARD

Please see the section headed “Arrangements Material to the Proposal” in the Explanatory Memorandum on page 72 of this Scheme Document for details.

4. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the paragraph headed “Reasons for and Benefits of the Proposal” on pages 74 to 75 of the Explanatory Memorandum of this Scheme Document.

5. INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP

Your attention is drawn to the paragraph headed “Intention of the Offeror with regard to the Company” on page 75 of the Explanatory Memorandum of this Scheme Document.

The Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 1)	
	Number of Shares	%	Number of Shares	%
Offeror (Note 2)	1,933,704,886	56.95	3,395,316,832	100.0
Offeror Concert Parties: Ms. Zuo Na (Note 3)	<u>2,024,000</u>	<u>0.06</u>	<u>—</u>	<u>—</u>
Subtotal	1,935,728,886	57.01	3,395,316,832	100.0
Disinterested Scheme Shareholders	<u>1,459,587,946</u>	<u>42.99</u>	<u>—</u>	<u>—</u>
Total Number of Shares	<u><u>3,395,316,832</u></u>	<u><u>100.0</u></u>	<u><u>3,395,316,832</u></u>	<u><u>100.0</u></u>

Notes:

- Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, forthwith upon such Reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the Reduction will be applied in paying up in full the new Shares so issued to the Offeror.
- The Offeror is directly wholly-owned by Sichuan Liming, which is in turn directly wholly-owned by Xinjiang Xintai. The controlling shareholder of Xinjiang Xintai is Mr. Ming (an executive Director, the chairman of the Board, and a Controlling Shareholder), holding approximately 41.07% of the total issued shares of Xinjiang Xintai as at the Latest Practicable Date. Accordingly, Mr. Ming is deemed to

LETTER FROM THE BOARD

be interested in 1,933,704,886 Shares held by the Offeror. In addition, for the purpose of the SFO, Mr. Ming is deemed to be interested in 2,024,000 Shares beneficially owned by his spouse. The Shares in which the Offeror are interested will not form part of the Scheme Shares and will not be voted at the Court Meeting and will not be cancelled and extinguished upon the Scheme becoming effective.

3. Ms. Zuo Na is the spouse of Mr. Ming. As a result, Ms. Zuo Na is presumed to be a party acting in concert with the Offeror. The 2,024,000 Shares held by Ms. Zuo Na will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming binding and effective in accordance with its terms.

7. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Sichuan Liming, a company incorporated in the PRC with limited liability, which is in turn directly wholly-owned by Xinjiang Xintai.

The Offeror is principally engaged in investment holding. Xinjiang Xintai is principally engaged in the distribution and sales of natural gas. Xinjiang Xintai provides natural gas sales services, including natural gas sales for civilian use and commercial use, natural gas installation services, as well as compressed natural gas transportation services. Xinjiang Xintai is a company incorporated under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 603393). The controlling shareholder of Xinjiang Xintai is Mr. Ming, holding approximately 41.07% of the total issued shares of Xinjiang Xintai as at the Latest Practicable Date. According to publicly available information, the shareholding structure of the remaining approximately 58.93% of the total issued shares of Xinjiang Xintai is relatively scattered and is owned by the directors, supervisor and/or senior management of Xinjiang Xintai and their respective connected persons (including approximately 1.21% of the total issued shares of Xinjiang Xintai is held by Mr. Huang Min) and various investment funds and public shareholders as at the Latest Practicable Date.

Mr. Ming is an executive Director of the Company, chairman of the Board, a Controlling Shareholder and the chairman of the Nomination Committee of the Company. Mr. Ming is primarily responsible for the Group's overall development and growth strategies, investor and public relations, board governance and supervision of key management issues. Mr. Ming was appointed as an executive Director of the Company, chairman of the Board and chairman of the Nomination Committee of the Company on 24 August 2018. Mr. Ming has been the chairman of the board of Xinjiang Xintai since January 2013.

Mr. Ming graduated from the correspondence college of Party College of Sichuan Province Committee of the Communist Party of China (中共四川省委黨校函授學院) in 1987, majoring in law.

8. INFORMATION ON THE COMPANY

The Company is a limited company incorporated in Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the coal-bed methane (“CBM”) exploration and development sector in the PRC. Its key operating assets, the Panzhuang and Mabi concessions, are located in the Southwestern part of the Qinshui Basin, which has the largest proved CBM geological reserves in the PRC. The

LETTER FROM THE BOARD

Company's Panzhuang concession is the most commercially advanced Sino-foreign CBM asset in China and the first Sino-foreign CBM cooperative project to have entered full-scale commercial development and production.

Your attention is drawn to Appendix I headed "Financial Information of the Group" and Appendix II headed "General Information" to this Scheme Document.

9. INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee should comprise all non-executive Directors who have no direct or indirect interest in the Proposal. Mr. Huang Min, a non-executive Director, is also a director of the Offeror. Accordingly, he is regarded as being interested in the Proposal for the purpose of Rule 2.8 of the Takeovers Code and is not a member of the Independent Board Committee.

The Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao, has been established by the Board to advise the Disinterested Scheme Shareholders on the Proposal and as to voting. The recommendation of the Independent Board Committee as to whether the Proposal is or is not fair and reasonable, and as to voting by the Disinterested Scheme Shareholders at the Court Meeting and the EGM, is set out in this Scheme Document.

Please refer to their recommendations as set out in the "Letter from the Independent Board Committee" on pages 25 to 26 to this Scheme Document.

10. INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Proposal and the Scheme. Please refer to their recommendations as set out in the "Letter from the Independent Financial Adviser" on pages 27 to 64 to this Scheme Document.

11. THE COURT MEETING AND THE EGM

Notices convening the Court Meeting and the EGM to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 27 April 2023 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting), respectively, are set out on pages NCM-1 to NCM-4 and pages NGM-1 to NGM-3 to this Scheme Document.

Court Meeting

The Grand Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme.

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting.

LETTER FROM THE BOARD

As set out in the section headed “Arrangements material to the Proposal” above, each of the Offeror and Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court not to attend and/or vote at the Court Meeting and that the registered holder will not be instructed to, and will not, vote such Shares at the Court Meeting. The Offeror Concert Party subject to the Scheme, being Ms. Zuo Na, who held 2,024,000 Shares, representing approximately 0.06% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the Scheme at the Court Meeting.

Directors of the Company who are interested in the Shares are all Offeror Concert Parties and will abstain from voting on the Scheme at the Court Meeting. As at the Latest Practicable Date, Mr. Ming was interested in 1,933,704,886 Shares, representing approximately 56.95% of the total issued Shares as set out in Note 2 in the shareholding table in “Shareholding Structure of the Company” above. Save as set out above, none of the Directors beneficially have any interests in the Shares.

EGM

All Shareholders will be entitled to vote (either in person or by proxy) at the EGM in respect of (i) the special resolution to be proposed at the EGM to approve and give effect to the Reduction and (ii) the ordinary resolution immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror for the implementation of the Proposal. The Offeror Concert Parties who are interested in the Scheme Shares have indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the resolutions to be proposed at the EGM to approve and give effect to the reduction of share capital and implementation of the Proposal. An announcement will be jointly made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM with information as required by Rule 19.1 of the Takeovers Code.

12. ACTIONS TO BE TAKEN

Please refer to the section headed “Actions to be taken” on pages 1 to 3 of this Scheme Document on exercising of your voting at the Court Meeting and the EGM.

13. OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the section headed “Overseas Scheme Shareholders” in the Explanatory Memorandum on pages 79 to 80 of this Scheme Document.

LETTER FROM THE BOARD

14. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

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

15. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

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

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company; or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, except with the consent of the Executive.

16. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed “Taxation and independent advice” in the Explanatory Memorandum on page 80 of this Scheme Document.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or other implications of accepting or rejecting the Proposal. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Cinda, Huarong or the Independent Financial Adviser or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of the implementation of the Proposal.

LETTER FROM THE BOARD

17. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee in this Scheme Document; and (ii) the letter from Somerley Capital Limited in this Scheme Document which sets out the factors and reasons taken into account by Somerley Capital Limited in arriving at its advice to the Independent Board Committee.

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

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in its letter, considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned, and recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme.

18. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular:

- (i) the letter from the Independent Board Committee as set out on pages 25 to 26 of this Scheme Document;
- (ii) the letter from Somerley Capital Limited as set out on pages 27 to 64 of this Scheme Document;
- (iii) the Explanatory Memorandum as set out on pages 65 to 87 of this Scheme Document;
- (iv) the Scheme of Arrangement as set out on pages S-1 to S-4 of this Scheme Document;
- (v) the Appendices to this Scheme Document; and
- (vi) the notice of Court Meeting and the notice of EGM as set out on pages NCM-1 to NGM-3 of this Scheme Document.

In addition, a pink form of proxy for the Court Meeting and a white form of proxy for the EGM are enclosed with this Scheme Document.

Yours faithfully,
For and on behalf of the Board
Mr. Zhang Jianbing
Executive Director



AAG

AAG Energy Holdings Limited

亞美能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2686)

29 March 2023

To the Disinterested Scheme Shareholders

Dear Sir and Madam,

**(1) CONDITIONAL PROPOSAL FOR THE
PRIVATISATION OF AAG ENERGY HOLDINGS LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the scheme document dated 29 March 2023 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “Letter from the Board” and the “Explanatory Memorandum” of the Scheme Document.

Somerley Capital Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and the Scheme. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” of the Scheme Document.

In the “Letter from the Independent Financial Adviser” of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote for the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned.

Accordingly, the Independent Board Committee recommends the Disinterested Scheme Shareholders:

- (1) at the Court Meeting, to vote for the Scheme;
- (2) at the EGM, to vote for:
 - (i) the special resolution to approve and give effect to the Reduction on the Effective Date by the cancellation and extinguishment of the Scheme Shares; and
 - (ii) the ordinary resolution to increase the issued share capital of the Company to the amount immediately prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

Yours faithfully,

The Independent Board Committee

**Mr. Tai Kwok Leung
Alexander**

*Independent
non-executive Director*

Dr. Liu Xiaofeng

*Independent
non-executive Director*

Dr. Yang Ruizhao

*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor China Building
29 Queen's Road Central
Hong Kong

29 March 2023

To: the Independent Board Committee

Dear Sirs,

**(1) CONDITIONAL PROPOSAL FOR THE
PRIVATISATION OF AAG ENERGY HOLDINGS LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal (including the Scheme). Details of the Proposal are set out in the scheme document dated 29 March 2023 (the “**Scheme Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 17 February 2023, the Company and the Offeror jointly announced that on 25 January 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act (i.e. the Scheme) involving cancellation and extinguishment of all the Scheme Shares and allotment and issue of new Shares to the Offeror, subject to the Pre-Condition (which was satisfied on 27 March 2023) and the Conditions being fulfilled or waived, as applicable. Under the Proposal, once the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$1.85 in cash for each Scheme Share, as consideration for the cancellation and extinguishment of the Scheme Shares held as at the Effective Date.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao, has been established to advise the Disinterested Scheme Shareholders on the Proposal and as to voting. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee on the Proposal and as to voting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not associated with the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and we did not act as an independent financial adviser or financial adviser to other transactions of the Company and its associates in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Proposal.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed, among other things, (i) the annual reports of the Company for each of the two years ended 31 December 2020 (the “**2020 Annual Report**”) and 31 December 2021 (the “**2021 Annual Report**”), the annual results announcement of the Company for the year ended 31 December 2022 (the “**2022 Annual Results**”); (ii) the trading performance of the Shares on the Stock Exchange; (iii) the joint announcement of the Company and the Offeror dated 17 February 2023 in relation to the Proposal; and (iv) other information contained in the Scheme Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document and will continue to be true up to the time of the Court Meeting and the EGM, and Shareholders will be informed of any material change as soon as possible.

We have not considered the tax and regulatory implications on the Disinterested Scheme Shareholders of the implementation of the Proposal since these are particular to their individual circumstances. In particular, the Disinterested Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE SCHEME

The terms set out below are summarised from the letter from the board (the “**Letter from the Board**”) and the explanatory statement (the “**Explanatory Statement**”) contained in the Scheme Document. The Scheme Shareholders are encouraged to read the Scheme Document and its appendices in full.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Scheme Consideration

Under the Proposal, once the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$1.85 in cash for each Scheme Share, as consideration for the cancellation and extinguishment of the Scheme Shares held as at the Effective Date.

As at the Latest Practicable Date, the Company has 3,395,316,832 Shares in issue. There were no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company. The Company does not have any outstanding dividends declared as at the Latest Practicable Date and has no intention to declare any dividend prior to completion of the Proposal. The 1,461,611,946 Scheme Shares represent 43.05% of the total number of shares in issue of the Company.

On the assumption that no further Shares are issued before the Scheme Record Date, the maximum amount of cash required for the Proposal would be HK\$2,703,982,100.10.

Upon the Scheme becoming effective, the Offeror will hold 100% of the total number of shares in issue of the Company.

As disclosed in the Letter from the Board and the Explanatory Statement, **the Scheme Consideration will not be increased, and the Offeror does not reserve the right to do so.**

According to the Letter from the Board and the Explanatory Statement, the Scheme Consideration has been determined on an arm's length commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the financial information of the Group and with reference to other similar privatisation transactions in Hong Kong in recent years.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.81 on 23 December 2022, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.19 on 31 October 2022.

Funding for the Proposal

As stated above, on the assumption that no further Shares are issued before the Scheme Record Date, the maximum amount of cash required for the Proposal would be HK\$2,703,982,100.10.

The Offeror intends to finance the entire cash amount required to implement the Proposal using a combination of its internal cash resources and external debt financing.

Cinda and Huarong, as the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of consideration required to effect the Proposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pre-Conditions of the Proposal

The making of the Proposal (including the Scheme) was subject to the approval by the shareholders of Xinjiang Xintai, in accordance with the articles of association of Xinjiang Xintai. On 27 March 2023, the Pre-Condition was satisfied.

Conditions of the Proposal

The Proposal (including the Scheme) will become effective and binding on the Company and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (i) the approval of the Scheme (by way of poll) at the Court Meeting by the Disinterested Scheme Shareholders representing not less than 75% in value of the Disinterested Shares present and voting either in person or by proxy at the Court Meeting in accordance with the requirements of Section 86 of the Companies Act as at the date of the Court Meeting, provided that:
 - (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders;
- (ii) the passing of:
 - (a) a special resolution by a majority of at least two-thirds of the votes cast by the Shareholders present and voting (either in person or by proxy) at the EGM to approve and give effect to the Reduction on the Effective Date by cancelling and extinguishing the Scheme Shares; and
 - (b) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting (either in person or by proxy) at the EGM immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the Reduction, and the delivery to the Registrar of Companies in the Cayman Islands of a sealed copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the Reduction for registration;
- (iv) the compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 14 to 17 of the Companies Act in relation to the Reduction;
- (v) all Authorisations (if any) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (vi) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (vii) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (viii) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (a) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (b) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or
 - (c) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ix) since the date of the Joint Announcement:

- (a) there having been no adverse change in the business, assets, financial or trading, positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and
- (b) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions in paragraphs (i) to (iv). The Company does not have the right to waive any of the above Conditions.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse.

If the Proposal is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and it is the intention of the Board to continue adhering to its existing business focus and strategies in such.

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

With reference to the Condition in paragraph (v), as at the Latest Practicable Date, the Offeror is not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (i) to (iv). With reference to the Condition in paragraph (vi), as at the Latest Practicable Date, the Offeror is not aware of any such action, proceeding, suit, investigation or enquiry, statute, regulation, demand or order. With reference to the Condition in paragraph (vi), if it is to be waived by the Offeror, such Condition shall only be waived to the extent that it would not make the implementation of the Proposal be illegal. With reference to the Condition in paragraph (vii), as at the Latest Practicable Date, the Offeror is not aware of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (i) to (iv). With reference to the Condition in paragraph (viii) and (ix)(b), as at the Latest Practicable Date, the Offeror is not aware of any such event or circumstance.

As at the Latest Practicable Date, none of the above Conditions had been fulfilled or waived.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Warnings:

The Shareholders and/or potential investors in the securities of the Company should be aware that the Proposal is subject to the Conditions as set out in the Scheme Document being satisfied or waived, as applicable, and neither the Offeror nor the Company provides any assurance that any or all of Conditions can be satisfied, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. The Shareholders and/or potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group

1.1. Background information of the Group

The Company is a limited company incorporated in Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the coalbed methane (“CBM”) exploration and development sector in the PRC. Its key operating assets, the Panzhuang and Mabi concessions, are located in the Southwestern part of the Qinshui Basin in Shanxi Province, which has the largest proved CBM geological reserves in the PRC. The Company’s Panzhuang concession is the most commercially advanced Sino-foreign CBM asset in China and the first Sino-foreign CBM cooperative project to have entered full-scale commercial development and production.

As at the Latest Practicable Date, the Company is beneficially owned as to 56.95% by the Offeror.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2. Financial information of the Group

(i) Financial performance

Set out below is a summary of the Group's consolidated financial performance for the three years ended 31 December 2020, 2021 and 2022 ("FY2020", "FY2021" and "FY2022" respectively), (collectively, the "Period") as extracted from the 2021 Annual Report and the 2022 Annual Results:

	FY2020	FY2021	FY2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	1,038,524	1,739,226	2,566,744
— Panzhuang	973,540	1,522,736	1,797,506
— Mabi	64,984	176,946	471,513
— Xinhe	—	39,544	297,725
Other income	240,368	251,875	347,683
Other gains (losses), net	2,095	18,022	(21,729)
Operating expenses			
Depreciation and amortisation	(271,368)	(396,523)	(554,238)
Employee benefit expenses	(73,372)	(102,901)	(106,833)
Exploration expenses	—	(50,280)	(94,918)
Materials, services and logistics	(190,831)	(283,644)	(379,862)
Net impairment losses on financial assets	(7,600)	(9,757)	(39,264)
Others	(14,187)	(17,819)	(20,396)
Total operating expenses	<u>(557,358)</u>	<u>(860,924)</u>	<u>(1,195,511)</u>
Profit from operations	723,629	1,148,199	1,697,187
Finance income, net	18,944	10,175	121,385
Share of net loss of associates accounted for using the equity method	<u>—</u>	<u>(14,052)</u>	<u>(17,715)</u>
Profit before income tax	742,573	1,144,322	1,800,857
Income tax expense	<u>(232,277)</u>	<u>(328,643)</u>	<u>(384,748)</u>
Profit attributable to owners of the Company for the year	<u>510,296</u>	<u>815,679</u>	<u>1,416,109</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue

The Group principally conducts its business through two Production Sharing Contracts (“PSC”) entered into with China United Coalbed Methane Corporation Ltd. (“CUCBM”) and China National Petroleum Corporation (“CNPC”) (authorising its subsidiary PetroChina Company Limited) for Panzhuang and Mabi concessions respectively in Qinshui Basin, Shanxi Province of the PRC. The Overall Development Plan (“ODP”) of Panzhuang concession was approved by the National Development and Reform Commission (“NDRC”) of the PRC on 28 November 2011, which allowed Panzhuang concession to enter into commercial development phase. On 1 November 2016, Panzhuang concession entered into production phase after the Joint Management Committee (“JMC”) approved and announced based on the terms of Panzhuang PSC. The ODP of the Southern Area of Mabi concession was approved by NDRC in September 2018. With this approval, the Southern Area of Mabi concession is eligible for commercial development. On 1 January 2020, the Southern Area of Mabi concession entered into production phase after the JMC approved and announced based on the terms of Mabi PSC. As at 31 December 2022, the Northern Area of Mabi concession was still in exploration phase. In December 2019, the Company established Xinhe Investment Holding Company Limited (“Xinhe”), a wholly-owned subsidiary of the Company, to engage in the liquefied natural gas outsourced processing business and energy trading business. At the end of 2021, Xinhe commenced its business and contributed approximately 2.3% and 11.6% of the total revenue of the Group for FY2021 and FY2022 respectively.

The following table sets forth the gross production volume, gross sales volume, net sales volume, realised average selling price and revenue of Panzhuang and Mabi concessions:

	FY2020	FY2021	FY2022
Gross production volume			
(billion cubic feet (“bcf”))	36.52	45.84	51.80
— <i>Panzhuang</i>	34.16	41.49	41.76
— <i>Mabi</i>	2.36	4.35	10.04
Gross sales volume (bcf)	35.47	44.16	50.00
— <i>Panzhuang</i>	33.31	40.34	40.52
— <i>Mabi</i>	2.16	3.82	9.48
Net sales volume (bcf)	25.25	31.75	36.39
— <i>Panzhuang</i>	23.89	28.79	29.00
— <i>Mabi</i>	1.36	2.96	7.39

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	FY2020	FY2021	FY2022
Realised average selling price (RMB per cubic meter)	1.42	1.79	2.26
— <i>Panzhuang</i>	1.42	1.80	2.31
— <i>Mabi</i>	1.38	1.67	2.05

The Group's revenue increased by approximately 67.5% from approximately RMB1.0 billion for FY2020 to approximately RMB1.7 billion for FY2021 and further increased by approximately 47.6% to approximately RMB2.6 billion for FY2022. Such increase was mainly due to the increase in realised average selling price and net sales volume as a result of the increase in production volume in Panzhuang and Mabi concessions. For instance, the gross production volume of Panzhuang concession increased by approximately 21.5% from approximately 34.16 bcf in FY2020 to approximately 41.49 bcf in FY2021 and increased slightly by approximately 0.7% to 41.76 bcf in FY2022; realised average selling price of Panzhuang concession increased from RMB1.42 per cubic meter in FY2020 to RMB1.80 per cubic meter in FY2021 and further increased to RMB2.31 per cubic meter in FY2022. The gross production volume of Mabi concession increased by approximately 84.3% from approximately 2.36 bcf in FY2020 to approximately 4.35 bcf in FY2021 and further increased by approximately 130.8% to approximately 10.04 bcf in FY2022; realised average selling price of Mabi concession increased from RMB1.38 per cubic meter in FY2020 to RMB1.67 per cubic meter in FY2021 and further increased to RMB2.05 per cubic meter in FY2022.

As discussed with the management of the Group, we noted that the Panzhuang PSC will expire in 2028. Under PRC law and the PSC, CUCBM and CNPC shall assist the Company to obtain the certain licenses, permits and approvals critical for the CBM operations, including those relating to exploration and mining. However, if the Company fails to obtain or renew such licenses, permits or approvals on a timely basis or at all, the Company may (i) be ordered to take corrective measures; (ii) be subject to fines or other administrative penalties; (iii) be prohibited from continuing or expanding its operations; and/or (iv) have to expend considerable time and costs in order to restore and sustain its business. Moreover, the abovementioned uncertainties may impact or delay the Company's development plans, divert management attention and increase cost of compliance, which may affect the Company's business, financial condition and results of operations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Other income and other gains/(losses)

Other income of the Group mainly comprised of subsidy income and value-added-tax (VAT) refund for the two concessions. In FY2021, other income of the Group increased by approximately 4.8% to approximately RMB251.9 million as compared to that for FY2020 of approximately RMB240.4 million. Such increase was mainly attributable to the combined effect of (i) the decrease in the Group's subsidy income from approximately RMB155.0 million in FY2020 to approximately RMB111.6 million in FY2021, representing a decrease of RMB43.4 million or 28.0%, mainly due to the lower criteria set by the subsidizing authorities; and (ii) the increase in VAT refund by approximately RMB54.9 million or 64.4% from approximately RMB85.3 million in FY2020 to approximately RMB140.2 million in FY2021, mainly due to the increase in realised average selling price and net sales volume of Panzhuang and Mabi concessions. Other income of the Group increased by approximately 38.0% to approximately RMB347.7 million for FY2022 as compared to that for FY2021. Such increase was mainly attributable to (i) the increase of VAT refund by approximately RMB42.0 million or 30.0% mainly due to the increase in net sales volume and realised average selling price of the two concessions; and (ii) the increase of PRC government subsidy by approximately RMB53.8 million or 48.2% primarily due to the increase in central and local fiscal award and subsidy funds.

The Group's other gains increased by approximately RMB15.9 million or 757.1% from approximately RMB2.1 million in FY2020 to approximately RMB18.0 million in FY2021, primarily due to the investment income arising from disposal of financial assets. In FY2022, the Group recorded net other losses of approximately RMB21.7 million, mainly attributable to payment of expenses for land occupation.

Operating profit

In FY2021, the Group's profit from operations increased by approximately RMB424.6 million or 58.7% to approximately RMB1,148.2 million from approximately RMB723.6 million in FY2020. Such increase was mainly due to the increase in revenue primarily due to the increase in realised average selling price and the increase in net sales volume as a result of the increase in production volume in Panzhuang and Mabi concessions, but partially offset by the decrease in subsidy income, the increase in materials, services and logistics, the newly incurred sales costs of liquefied natural gas and the newly incurred exploration expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In FY2022, the Group's profit from operations further increased by approximately RMB549.0 million or 47.8% to approximately RMB1,697.2 million from approximately RMB1,148.2 million in FY2021. Such increase was mainly due to the increase in revenue primarily due to the increase in realised average selling price and increase in net sales volume in Panzhuang and Mabi concessions, as well as the revenue from the newly incurred energy trading and liquified natural gas outsources processing and sale businesses, but partially offset by the increase in (i) depreciation and amortisation expenses; (ii) exploration expenses; (iii) materials, services and logistics expenses; (iv) sales costs of liquified natural gas; and (v) net impairment losses on financial assets.

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company increased by approximately 59.8% from approximately RMB510.3 million for FY2020 to approximately RMB815.7 million for FY2021. Such increase was mainly resulted from the combined effect of (i) the increase in profit from operations of approximately RMB424.6 million in FY2021 as discussed above; (ii) the decrease in net finance income of approximately RMB8.8 million; (iii) the share of net loss of associates of approximately RMB14.1 million in FY2021, while no such loss was recorded in FY2020; and (vi) the increase in income tax expense of approximately RMB96.4 million in FY2021.

Net profit attributable to owners of the Company further increased by approximately 73.6% from approximately RMB815.7 million for FY2021 to approximately RMB1,416.1 million for FY2022. Such increase was mainly resulted from the combined effect of (i) the increase in profit from operations of approximately RMB549.0 million in FY2022 as discussed above; (ii) the increase in net finance income of approximately RMB111.2 million; (iii) the increase in the share of net loss of associates by approximately RMB3.7 million in FY2022; and (vi) the increase in income tax expense of approximately RMB56.1 million in FY2022.

Dividend

The Company declared dividend of RMB0.1031 per Share, RMB0.0589 per Share and nil for FY2020, FY2021 and FY2022, respectively.

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(ii) Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Results:

	As at 31 December 2020 <i>RMB'000</i> (Audited)	As at 31 December 2021 <i>RMB'000</i> (Audited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3,994,259	4,478,379	5,202,581
Right-of-use assets	65,579	59,435	51,838
Intangible assets	29,742	24,198	20,809
Restricted bank deposits	55,048	60,230	67,797
Investments in associates	—	242,985	372,270
Other financial assets at amortised cost	—	55,000	31,378
Other non-current assets	142	309	34,243
	4,144,770	4,920,536	5,780,916
Current assets			
Inventories	9,822	11,049	16,871
Other current assets	21,873	101,146	77,146
Trade and other receivables	1,071,411	1,226,536	1,246,486
Financial assets at fair value through profit or loss	—	—	69,646
Term deposits with initial terms of over three months	—	200,000	—
Cash and cash equivalents	1,790,505	1,626,675	2,118,660
	2,893,611	3,165,406	3,528,809
Total assets	7,038,381	8,085,942	9,309,725

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	As at 31 December 2020 RMB'000 (Audited)	As at 31 December 2021 RMB'000 (Audited)	As at 31 December 2022 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	2,079	2,080	2,080
Share premium	3,869,806	3,522,168	3,323,159
Other reserves	279,392	276,058	217,044
Retained earnings	<u>1,809,565</u>	<u>2,625,244</u>	<u>4,041,353</u>
Total equity	<u>5,960,842</u>	<u>6,425,550</u>	<u>7,583,636</u>
LIABILITIES			
Non-current liabilities			
Asset retirement obligations	20,120	150,695	141,335
Non-current lease liabilities	40,357	41,914	41,297
Deferred income tax liabilities	<u>437,612</u>	<u>478,061</u>	<u>195,678</u>
	<u>498,089</u>	<u>670,670</u>	<u>378,310</u>
Current liabilities			
Trade and other payables	468,169	803,599	1,149,372
Current income tax liabilities	94,572	172,390	188,967
Current lease liabilities	<u>16,709</u>	<u>13,733</u>	<u>9,440</u>
	<u>579,450</u>	<u>989,722</u>	<u>1,347,779</u>
Total liabilities	<u>1,077,539</u>	<u>1,660,392</u>	<u>1,726,089</u>

Total assets of the Group amounted to approximately RMB7.0 billion, RMB8.1 billion and RMB9.3 billion as at 31 December 2020, 2021 and 2022, respectively. As at 31 December 2022, the Group's total assets mainly comprised of (i) property, plant and equipment of approximately RMB5.2 billion; (ii) cash and cash equivalent of approximately RMB2.1 billion; and (iii) trade and other receivables of approximately RMB1.2 billion.

Total liabilities of the Group amounted to approximately RMB1.1 billion, RMB1.7 billion and RMB1.7 billion as at 31 December 2020, 2021 and 2022, respectively. As at 31 December 2022, the Group's total liabilities mainly comprised of (i) trade and other payables of approximately RMB1.1 billion; (ii)

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deferred income tax liabilities of approximately RMB0.2 billion; (iii) current income tax liabilities of approximately RMB0.2 billion; and (vi) asset retirement obligations of approximately RMB0.1 billion.

Net assets of the Group amounted to approximately RMB6.0 billion, RMB6.4 billion and RMB7.6 billion as at 31 December 2020, 2021 and 2022, respectively. The increase of net assets of the Group was mainly due to the profit after taxation generated during the respective year offsetting by the dividend declared.

1.3. Reserve base of the Group

Netherland, Sewell & Associates, Inc. (“NSAI”) has been engaged by the Company or its affiliates as the technical consultant to provide estimates on the reserves of the Company’s Panzhuang and Mabi concessions since the listing of the Shares on the Stock Exchange and thus is very familiar with the technical aspects of current and past reserve estimates of the Company. NSAI is an independent reserve certification company based in Texas, the United States of America and established in 1961. Set out below is a summary of the reserve data of the Group extracted from the 2021 Annual Report and 2022 Annual Results:

	As at 31 December		
	2020 Net*	2021 Net*	2022 Net*
	<i>bcf</i>	<i>bcf</i>	<i>bcf</i>
Total net reserves			
Proved (1P)	179.9	152.0	172.7
Proved + probably (2P)	640.6	635.1	557.5
Proved + probably + possible (3P)	860.4	876.2	655.9
 <i>Panzhuang concession</i>			
Proved (1P)	150.2	114.7	102.6
Proved + probably (2P)	179.4	148.1	124.2
Proved + probably + possible (3P)	224.7	213.2	150.9
 <i>Mabi concession</i>			
Proved (1P)	29.7	37.3	70.0
Proved + probably (2P)	461.2	487.0	433.3
Proved + probably + possible (3P)	635.7	663.0	505.0

* Net gas reserves are the Company’s share of the gas reserves according to the terms of each PSC and after adjustment for fuel and shrinkage.

According to the NSAI report, their estimates relied on geologic and engineering data provided by the Company, which was reviewed for reasonableness during the course of NSAI’s evaluation. NSAI performs their own comprehensive geologic and engineering analysis using the basic data provided by the Company, such as production analysis on producing wells, and geological analysis which

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provides estimates of coal thickness, gas content and area extent for each seam in each of the Company's planned drilling locations. Such analysis is used to estimate gas in place and reserves for each seam in each location. Key parameters adopted in the analysis include coal thickness, gas content, gas saturation, coal density, drainage area and reservoir pressure.

As shown from the table above, each of the Group's total net Proved ("1P"), Proved + Probable ("2P") and Proved + Probable + Possible ("3P") reserves recorded an overall decrease from year-end 2020 to year-end 2022. Based on the report issued by NSAI, the Group's total net 1P reserve has decreased by around 15.5% from 179.9 bcf at year-end 2020 to 152.0 bcf at year-end 2021 and total net 2P reserves has decreased from 640.6 bcf at year-end 2020 to 635.1 bcf at year-end 2021. Despite the decrease in net 1P reserve in Panzhuang concession as discussed below, the Group's total net 1P reserves at year-end 2022 recorded an increase of approximately 13.6% to 172.7 bcf as a result of the significant increase in net 1P reserve in Mabi concession as discussed below. However, the Group's total net 2P reserves continued to decrease to 557.5 bcf at year-end 2022, representing a decrease of approximately 12.2% compared to year-end 2021.

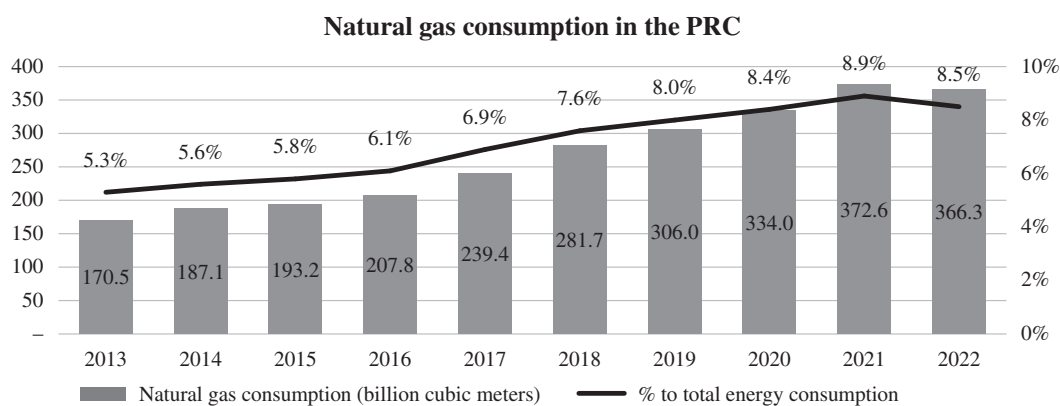
The net 1P reserve and net 2P reserve of Panzhuang concession were 114.7 bcf and 148.1 bcf as at year-end 2021, representing a decrease of 23.6% and 17.4% respectively from the net 1P reserve of 150.2 bcf and the net 2P reserve of 179.4 bcf as at year-end 2020. The net 1P reserve and net 2P reserve of Panzhuang concession were further decreased to 102.6 bcf and 124.2 bcf as at year-end 2022, representing a decrease of 10.5% and 16.1% respectively compared to year-end 2021. Meanwhile, Mabi concession has shown that the net 1P reserve and net 2P reserve were 37.3 bcf and 487.0 bcf as at year-end 2021, representing an increase of 25.6% and an increase of 5.6% respectively from the 1P reserve of 29.7 bcf and the 2P reserve of 461.2 bcf as at year-end 2020. The net 1P reserve of Mabi concession as at year-end 2022 has significantly increased to 70.0 bcf, representing an increase of approximately 87.7% compared to year-end 2021. As advised by the management of the Group, the significant increase in net 1P reserve of Mabi concession was mainly due to the further acceleration of drilling operations and the commissioning of new wells in Mabi concession in 2022. However, as the reserve area remained the same, the net 2P reserve decreased as a result of the output of gas production. Although the net 1P reserve of Mabi concession continued to increase during 2020 to 2022, it has contributed only less than 20% of the Group's total revenue for each of FY2020, FY2021 and FY2022.

The Group has performed well during the Period in terms of the gross production volume and gross sales volume. However, there are risks for the future performance of the Group due to the overall decrease in the Group's total net 2P and 3P gas reserves in recent 2 years.

2. Outlook of the natural gas industry in the PRC

As discussed in the section headed “1.1 Background information of the Group” above, the Group is principally engaged in CBM exploration and development sector in the PRC. CBM is a form of natural gas extracted from coal beds. We have conducted analysis on the outlook of the natural gas industry in the PRC based on the historical consumption and historical local prices as set out below:

2.1 Natural gas consumption in the PRC



Source: National Bureau of Statistics of the PRC

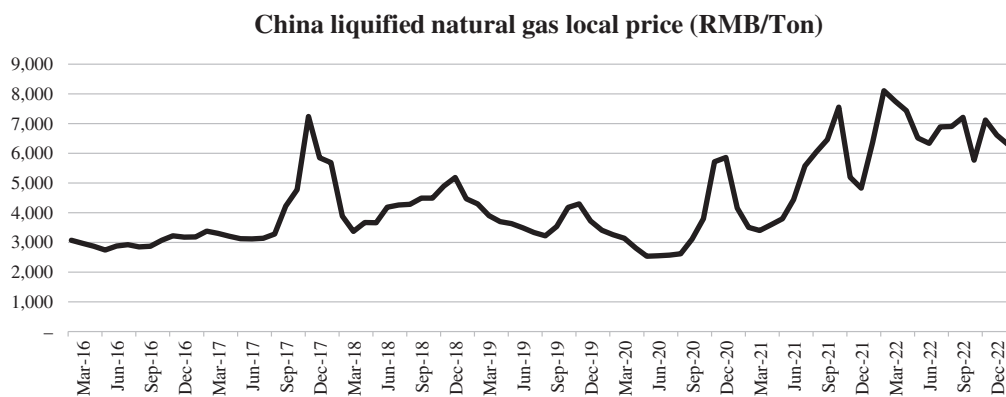
In the recent decade, the PRC government has enacted a series of economic and administrative measures/policies to promote and encourage energy transformation in the PRC, with a focus on replacing high-carbon emitting fossil fuels with low-carbon or zero-carbon emitting clean energy. As natural gas has the lowest carbon emissions among all common fossil energy resources, it has been a major substitute to coal during the energy reform. As shown in the graph above, since 2013, natural gas consumption in the PRC has followed an increasing trend, from approximately 170.5 billion cubic meters (“bcm”) in 2013 to approximately 372.6 bcm in 2021, representing a compound annual growth rate of approximately 10.3%. In line with the government policies, natural gas has also been accounting for an increasing proportion of the total energy consumption in the PRC, from approximately 5.3% in 2013 to approximately 8.9% in 2021. Despite that China has issued the 14th Five-Year Plan (2021–2025) for National Economic and Social Development of the People’s Republic of China in 2021 to cover two long-term carbon goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060 (the “**Double Carbon Goal**”), in 2022, natural gas industry in the PRC ushered in the first negative growth in nearly a decade. As shown in the graph above, natural gas consumption and contribution of natural gas in total energy consumption in the PRC both decreased in 2022. Natural gas consumption decreased by approximately 1.7% from approximately 372.6 bcm in 2021 to approximately 366.3 bcm in 2022, while the contribution of natural gas in total energy consumption in the PRC dropped by 40 basis point from approximately 8.9% to approximately 8.5%. The negative growth

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in 2022 was mainly attributable to (i) the slowdown of domestic economic growth; and (ii) the surge in natural gas price, according to the Development Research Center of the State Council.

It is not expected that China will make any major change in its approach to the roles of natural gas/liquefied natural gas in the energy mix in 2023. Beyond that, there are uncertainties as to the development and pace of energy transformation in using low-carbon emission and/or renewable energy sources in the PRC. As mentioned above, natural gas has been a major substitute for coal during the energy reform as it has the lowest carbon emissions among common fossil energy sources. Given the uncertainties to the global production and prices of natural gas, possibilities exist for a switch in energy sources/mix to reduce or eliminate fossil fuels. For instance, other major consumers of natural gas in Asia such as Japan and South Korea are currently aiming to increase the contribution of nuclear power to their energy supply mix in response to the high liquefied natural gas prices.

2.2 Local liquefied natural gas price in the PRC



Source: Bloomberg

As shown in the graph above, liquefied natural gas prices in the PRC fluctuate greatly, with the lowest price of approximately RMB2,533 per ton in June 2020 and the highest price of approximately RMB8,112 per ton in March 2022. As demand is typically higher during winter time for heating purpose, prices are generally higher during winter months (i.e. October to February). During 2016 to 2020, local liquefied natural gas prices in the PRC were in the range of RMB3,000 per ton and RMB5,000 per ton, except for the sudden surge to over RMB7,000 per ton during the winter in late 2017 to early 2018. In April 2017, the Chinese government extensively implemented “coal-to-gas” projects in certain areas of the country aiming to completely replace coal with natural gas and cancel all coal-fired boilers in the area within a specific time. Such policy led to a surge in the demand and a shortage of natural gas in the following winter, driving up the price of liquefied natural gas around the end of 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In January 2021, extreme cold conditions in certain area of China led to an increase in price of liquefied natural gas reaching approximately RMB5,862 per ton. The price then returned to below RMB5,000 per ton until the last quarter of 2021. Since fall of 2021, price of liquefied natural gas has remained on a relatively high level above RMB5,000 per ton, up to the historical high of approximately RMB8,112 per ton in March 2022. Such increase in price was mainly due to various global and domestic political and economic factors such as (i) the continued implementation of the Double Carbon Goal in the PRC; (ii) the surge in global coal and oil prices; (iii) the reduction in supply of natural gas from Russia to European countries before the conflict between Russia and Ukraine; and (iv) the further disruptions of the global demand and supply of oil and gas since the conflict between Russia and Ukraine began in February 2022. In view of uncertainties of the global political and economic environment, the price of natural gas is expected to remain volatile in the near future.

Based on the above, although natural gas is likely to continue to play an important role during the energy reform of China in the coming future, similar growth of the natural gas industry in the PRC as seen in the recent decade is not guaranteed due to the uncertainties in both global and domestic economies as discussed under section 2.1 above. In addition, the volatility in natural gas prices as discussed under section 2.2 above is likely to continue. As such, the Proposal in our view gives an opportunity to Disinterested Scheme Shareholders to exit at premium to recent market prices and avoid risks of industry prospects and future volatilities of the price of natural gas.

3. Reasons for and benefits of the Proposal

As set out in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement, the Proposal gives Disinterested Scheme Shareholders an opportunity to receive the Scheme Consideration for their Scheme Shares at a premium over the current market price. The Scheme Consideration is (i) approximately 60.9% premium over the lowest closing price of HK\$1.15 per Share in the past one year; and (ii) approximately 2.2% premium over the highest closing price of HK\$1.81 per Share in the past one year, with no trading days’ closing price were above the Scheme Consideration. Disinterested Scheme Shareholders who prefer to switch investment of their holding in Shares into securities of other companies with better prospects or higher share trading volume might not be able to do so in the absence of the Proposal because of the thin trading volume of the Shares. For some Disinterested Scheme Shareholders, given the current state of the economy and the uncertainty on the timing of a recovery, they may find the Proposal particularly timely.

The Shares have been trading at a discount to its consolidated net asset value attributable to owners of the Company (“NAV”), ranging from approximately 29.0% to approximately 54.9% in the past one year (calculated by the lowest and the highest closing price of the Shares in 2022 over the NAV per Share of approximately HK\$2.55 as at 31 December 2022). The abovementioned has limited the Company’s ability to raise funds from the equity markets and the Company does not wish to raise equity capital by

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

means that will substantially dilute the shareholding interests of its existing Shareholders. At the same time, the cost of maintaining the Company's listing status (including those associated with regulatory compliance, disclosure and publication of financial statements) had been on the rise, defeating the original purpose for listing as the Company was not really deriving any real commercial benefit from maintaining its listing on the Stock Exchange and therefore the expenditure may not be justified. Upon completion of the privatisation, the Shares will be delisted from the Stock Exchange, which may benefit the Company from savings in costs related to the compliance and maintenance of the listing status of the Company. The Company's management will also be able to reallocate resources originally applied towards the Company's administration, compliance and other matters relating to its listing status towards the Group's business operations.

As stated in the Explanatory Memorandum, the Offeror considers that the Proposal, if successful, will provide the Offeror with more flexibility in supporting the long-term business development of the Company, without being concerned about the fluctuation of its short-term share performance, regulatory restrictions and compliance obligations arising from its listing status, and would allow the Offeror to streamline the Company's governance structure.

Based on the above and our analysis on the historical Share price performance and trading liquidity as set out in the section headed "5. Analysis on price performance and trading liquidity of the Shares" below, we concur that the Proposal gives Disinterested Scheme Shareholders an opportunity to receive the Scheme Consideration for their Scheme Shares at a premium over the current market price.

4. Information on the Offeror and its intention towards the Group

As stated in the Letter from the Board, the Offeror is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Sichuan Liming, a company incorporated in the PRC with limited liability, which is in turn directly wholly-owned by Xinjiang Xintai.

The Offeror is principally engaged in investment holding. Xinjiang Xintai is principally engaged in the distribution and sales of natural gas. Xinjiang Xintai provides natural gas sales services, including natural gas sales for civilian use and commercial use, natural gas installation services, as well as compressed natural gas transportation services. Xinjiang Xintai is a company incorporated under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 603393). The controlling shareholder of Xinjiang Xintai is Mr. Ming, holding approximately 41.07% of the total issued shares of Xinjiang Xintai as at the Latest Practicable Date. According to publicly available information, the shareholding structure of the remaining approximately 58.93% of the total issued shares of Xinjiang Xintai is relatively scattered and is owned by the directors, supervisor and/or senior management of Xinjiang Xintai and their respective connected persons (including approximately 1.21% of the total issued shares of Xinjiang Xintai is held by Mr. Huang Min) and various investment funds and public shareholders as at the Latest Practicable Date.

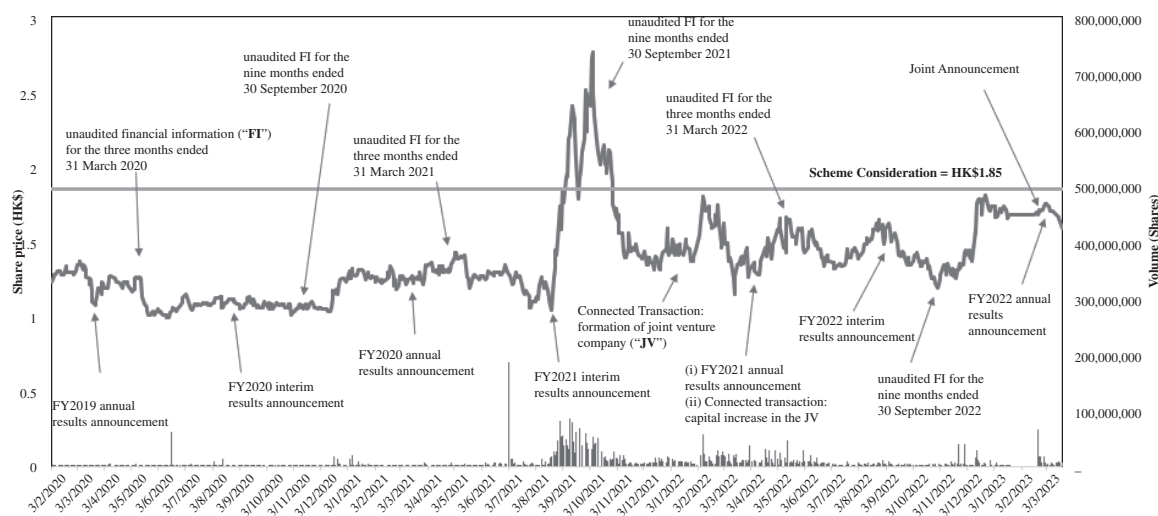
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As stated in the Letter from the Board, the Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

5. Analysis on price performance and trading liquidity of the Shares

5.1 Historical price performance of the Shares

Set out below are the closing prices of the Shares during the period from 3 February 2020 to the Latest Practicable Date (the “**Review Period**”). Announcements of the Company relating to certain corporate events that took place during the Review Period are noted. We consider the Review Period, which covers a period of around 38 months, to be reasonable and representative as we consider it a sufficient period to provide a general overview of the recent market performance of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the Scheme Consideration per Scheme Share.



Source: Bloomberg and the website of the Stock Exchange

The closing prices of the Shares ranged from HK\$0.99 to HK\$2.76 per Share during the period between 3 February 2020 and the Last Trading Day (both dates inclusive, the “**Pre-announcement Period**”), with an average of around HK\$1.35.

At the start of the Review Period from 3 February 2020 up to mid-August 2021, the closing price of the Shares exhibited a modest downward trend from the high of HK\$1.37 per Share on 6 March 2020 to a low of HK\$0.99 per Share on 12 and 15 June 2020.

The closing price of the Shares increased significantly from HK\$1.04 per Share on 20 August 2021 to HK\$2.76 per Share on 6 October 2021, an all-time high in the Review Period. Since then, the closing price of the Shares experienced a significant drop from HK\$2.76 per Share on 6 October 2021 to HK\$1.31 per Share on 14

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

December 2021. The Share price closed at HK\$1.41 on 31 December 2021. We have discussed with management of the Group the significant Share price fluctuation during the period between August 2021 and December 2021 and were advised that, save for the publication of the interim results for the six months ended 30 June 2021 on 27 August 2021 and the announcement regarding unaudited financial information for the nine months ended 30 September 2021 on 28 October 2021, they are not aware of other particular reason that led to the significant fluctuation in the price of the Shares. We have reviewed the announcements of the Company, none of which, in our view, is likely to be the direct cause of the fluctuation in the Share price.

The Share price recovered slightly in early 2022 to record its highest Share price in first quarter of 2022 of HK\$1.8 per Share on 8 February 2022. The Share price resumed to a downward trend after February 2022. On 30 March 2022 (after trading hours), the Company published (i) the annual results announcement for FY2021; and (ii) connected transaction announcement in relation the capital increase agreement of the joint venture company. The Share price decreased by 12.5% from HK\$1.44 per Share on 30 March 2022 to HK\$1.26 per Share on 31 March 2022.

From April 2022 to November 2022, the Share price fluctuated within a range of HK\$1.19 per Share to HK\$1.66 per Share. In December 2022, the Share price increased sharply from HK\$1.37 per Share on 9 December 2022 to HK\$1.81 per Share on 23 December 2022 without any material announcement published by the Company. We have discussed with management of the Group and were advised that they are not aware of any particular reason that may led to the significant increase in the price of the Shares. The Share price closed at HK\$1.73 per Share on 30 December 2022. In January 2023, the Share closing price fluctuated in a narrow range between HK\$1.65 and HK\$1.73 per Share before the suspension of trading on 26 January 2023, and was HK\$1.68 on the Last Trading Date.

Trading in the Shares was suspended from 26 January 2023 to 17 February 2023 pending the release of the Joint Announcement. Following the publication of the Joint Announcement after the trading hour on 17 February 2023 and the resumption of trading on 20 February 2023, the closing Share price fluctuated in a range within HK\$1.56 per Share to HK\$1.75 per Share. The closing Share price as at Latest Practicable Date was HK\$1.60 per Share, which we consider was largely determined by the Scheme Consideration of HK\$1.85 per Scheme Share.

There were 776 trading days during the Review Period. The Scheme Consideration was higher than the closing prices of Shares in 742 trading days out of 776 trading days.

The Scheme Consideration of HK\$1.85 per Scheme Share represents:

- (i) a premium of approximately 15.6% over the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 10.1% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Last Trading Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) a premium of approximately 10.1% over the average closing price of HK\$1.68 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 10.8% over the average closing price of HK\$1.67 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (v) a premium of approximately 24.2% over the average closing price of HK\$1.49 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 25.9% over the average closing price of HK\$1.47 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date; and
- (vii) a discount of approximately 27.5% to the audited consolidated NAV attributable to the Shareholders of approximately HK\$2.55 per Share as at 31 December 2022 (based on the audited consolidated equity attributable to the Shareholders of approximately RMB7,583.64 million (equivalent to approximately HK\$8,645.35 million) as at 31 December 2022 and 3,395,316,832 Shares in issue as at the Latest Practicable Date).

On the above basis, the Scheme Consideration of HK\$1.85 per Scheme Share represents premiums in a range of approximately 10.1% to 25.9% over the closing Share prices for various periods before the Last Trading Date.

As at the Latest Practicable Date, the Share price closed at HK\$1.60 per share, representing a discount of approximately 13.5% to the Scheme Consideration of HK\$1.85 per Scheme Share. Disinterested Scheme Shareholders should note that there is no assurance that the Share price will remain at the current level if the Scheme is not approved.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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5.2 Trading liquidity of the Shares

Set out below in the table are the average daily trading volume of the Shares, the percentages of the average daily trading volume to the total number of issued Shares of the Company and the percentages of average daily trading volume to the public float of the Company respectively during the Review Period:

	Average daily trading volume of the Shares	Approximate % of average daily trading volume to the total number of issued Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the public float of the Company <i>(Note 2)</i>
2020			
February	957,471	0.03%	0.06%
March	1,028,998	0.03%	0.06%
April	1,100,882	0.03%	0.07%
May	897,628	0.03%	0.05%
June	3,546,312	0.10%	0.22%
July	1,314,679	0.04%	0.08%
August	1,600,934	0.05%	0.10%
September	519,827	0.02%	0.03%
October	357,528	0.01%	0.02%
November	301,398	0.01%	0.02%
December	2,553,150	0.08%	0.16%
2021			
January	2,934,670	0.09%	0.18%
February	594,558	0.02%	0.04%
March	1,380,175	0.04%	0.08%
April	991,171	0.03%	0.06%
May	1,184,548	0.03%	0.07%
June	3,145,951	0.09%	0.19%
July	13,168,406	0.39%	0.90%
August	16,115,186	0.47%	1.10%
September	45,421,248	1.34%	3.11%
October	23,786,096	0.70%	1.63%
November	7,993,303	0.24%	0.55%
December	7,674,719	0.23%	0.53%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	Average daily trading volume of the Shares	Approximate % of average daily trading volume to the total number of issued Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the public float of the Company <i>(Note 2)</i>
2022			
January	7,094,649	0.21%	0.49%
February	16,293,973	0.48%	1.12%
March	13,270,814	0.39%	0.91%
April	11,808,077	0.35%	0.81%
May	11,904,714	0.35%	0.82%
June	8,319,195	0.25%	0.57%
July	2,793,391	0.08%	0.19%
August	3,788,347	0.11%	0.26%
September	2,946,736	0.09%	0.20%
October	1,700,450	0.05%	0.12%
November	6,799,955	0.20%	0.47%
December	5,725,237	0.17%	0.39%
2023			
January (up to Last Trading Date)	2,059,602	0.06%	0.14%
Average during the Pre-announcement Period <i>(Note 3)</i>	6,473,249	0.19%	0.44%
From 20 February 2023 to the Latest Practicable Date (the “ Post-announcement Period ”) <i>(Note 4)</i>	10,169,274	0.30%	0.70%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the average daily trading volume of Shares for the month divided by the total number of issued Shares as at the end of the relevant month or as at the Last Trading Date or the Latest Practicable Date, as applicable.
2. The total number of Shares held by the public is calculated based on the total number of issued Shares excluding those held by the Offeror and its concert parties, as at the end of each month, the Last Trading Date or the Latest Practicable Date, as applicable.
3. The calculation is based on the average daily trading volume as a percentage to the total number of issued Shares and to the public float of the Company respectively.
4. 20 February 2023, being the date of the first trading day immediately following the publication of the Joint Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the table above, which outlines the average daily trading volume of the Shares as a percentage to the total issued Shares and to the public float of the Company respectively, we note that except for September and October 2021 and the Post-announcement Period, the average daily trading volume of the Shares has been generally thin. The average daily trading volume of the Shares during the Pre-announcement Period was 6,473,249 Shares, representing around 0.19% of the total number of issued Shares of the Company and around 0.44% of the total number of issued Shares held by public. We have discussed with management of the Group regarding the increase in average daily trading volume in September and October 2021 and were advised that, save for the publication of the interim results for the six months ended 30 June 2021 on 27 August 2021 and the announcement regarding unaudited financial information for the nine months ended 30 September 2021 on 28 October 2021, they are not aware of other particular reason that led to the increase in average daily trading volume of the Shares. The publication of the Joint Announcement was however noted to have heightened the trading activity, with the average daily trading volume of the Shares increased to 10,169,274 Shares (representing around 0.30% of the total number of issued Shares and around 0.70% of the total number of issued Shares held by public) during the Post-announcement Period, being from 20 February 2023 (the date of the first trading day immediately after the publication of the Joint Announcement) to the Latest Practicable Date. The increased average daily trading volume of the Shares was still relatively thin. Disinterested Scheme Shareholders should note that the improvement in liquidity of the Shares subsequent to the publication of the Joint Announcement may not be sustainable if the Scheme do not take place.

Given the historical thin trading volume of the Shares, it is uncertain whether there would be sufficient liquidity in Shares for the Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares. The Scheme, therefore, represents an opportunity for the Disinterested Scheme Shareholders, particularly for those who hold a large volume of Scheme Shares, to dispose of their entire holdings at the Scheme Consideration if they so wish.

6. Historical discount of market price of the Shares to the NAV per Share

We note that the Scheme Consideration of HK\$1.85 per Scheme Share represents a discount of approximately 27.5% to the audited NAV per Share of approximately HK\$2.55 as at 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the discount to the NAV per Share represented by the Scheme Consideration, we have reviewed the market price performance of the Shares against the NAV per Share since 3 February 2020, being approximately 36 months immediately prior to the Last Trading Date. We consider such period to be reasonably sufficient to provide a general overview of the recent market price performance of the Shares as compared to the NAV per Share for the purpose of this analysis:

Period	Published consolidated NAV per Share HK\$ eqv. (Note 1)	Closing price per Share			Premium/(Discount) to NAV per Share		
		Highest HK\$	Lowest HK\$	Average HK\$	Highest Approx. %	Lowest Approx. %	Average Approx. %
3 February 2020 to 27 March 2020	1.83 ⁽³⁾	1.37	1.07	1.27	(25.18%)	(41.56%)	(30.90%)
30 March 2020 ⁽²⁾ to 27 August 2020	1.92 ⁽³⁾	1.27	0.99	1.11	(33.93%)	(48.50%)	(42.11%)
28 August 2020 ⁽²⁾ to 26 March 2021	1.87 ⁽³⁾	1.33	1.01	1.15	(28.97%)	(46.06%)	(38.34%)
29 March 2021 ⁽²⁾ to 27 August 2021	2.09 ⁽³⁾	1.50	1.04	1.26	(28.13%)	(50.17%)	(39.41%)
30 August 2021 ⁽²⁾ to 30 March 2022	2.12 ⁽³⁾	2.76	1.15	1.65	30.23%	(45.74%)	(22.31%)
31 March 2022 ⁽²⁾ to 26 August 2022	2.31 ⁽³⁾	1.66	1.26	1.45	(28.29%)	(45.57%)	(37.21%)
29 August 2022 ⁽²⁾ to 20 January 2023 ⁽⁴⁾	2.39 ⁽³⁾	1.81	1.19	1.46	(24.26%)	(50.20%)	(38.70%)
						Simple average	(35.57%)

Notes:

- For illustrative purposes only, the exchange rate used for the conversion of NAV per Share is based on the exchange rate as per the State Administration of Foreign Exchange website (<https://www.safe.gov.cn/big5/www.safe.gov.cn:443/safe/rmbhlzjj/index.html>) at each of the balance sheet dates.
- The first trading day immediately after the Company released its full year or interim results announcements.
- Based on the total equity attributable to the owners of the Company as extracted from the Company's respective annual results announcement or interim results announcement, then divided by the total number of Shares in issue as at the respective year/period-end date.
- Being the Last Trading Date.

Based on the analysis set out above, we note that, since 3 February 2020, being approximately 36 months immediately prior to the Last Trading Date and up to the Last Trading Date, the average closing price of Shares for each of the respective periods indicated above have represented a discount (the “**Average Discount(s)**”) to the then NAV per Share. As shown above, the Average Discounts ranged from approximately 22.31% to approximately 42.11%, with an average of approximately 35.57%. The discount represented by the Scheme Consideration of approximately 27.5% to the audited NAV per Share as at 31 December 2022 is lower than the simple average of the Average Discounts and is also close to the low-end of the range of the Average Discounts.

7. Comparable companies

As discussed under the section “1.1. Background information of the Group” above, the Group is principally engaged in the CBM exploration and development sector in the PRC. In assessing the fairness and reasonableness of the Scheme Consideration, we have conducted research on companies listed on the Stock Exchange which are principally engaged in the exploration and production of natural gas in the PRC and are profitable for their latest twelve-months financial figures based on their respective latest published reports/results. Based on the aforesaid criteria, we have identified only 2 companies, namely China Energy Development Holdings Limited (stock code: 228.HK) and China CBM Group Company Limited (stock code: 8270.HK), which is an exhaustive list according to our research on the website of the Stock Exchange and Bloomberg based on the above criteria. With the latter listed on the GEM of the Stock Exchange, consequently, we have also researched profit-making companies (according to their latest twelve-months financial figures based on their respective latest published reports/results) listed on the Stock Exchange which are primarily engaged in the exploration and production as well as distribution, marketing and trading of oil and natural gas. We consider such companies provide a meaningful and comprehensive overview to the market valuation of similar listed companies which are involved in, among others, natural gas business in the same industry sector of the Group, for the purpose of our analysis on the Scheme Consideration. Based on the aforesaid criteria, we have identified 8 additional companies namely PetroChina Company Limited (stock code: 857.HK), China Petroleum & Chemical Corporation (386.HK), CNOOC Limited (stock code: 883.HK), Kunlun Energy Company Limited (stock code: 135.HK), United Energy Group Limited (stock code: 467.HK), China Oil And Gas Group Limited (stock code: 603.HK), Yanchang Petroleum International Limited (stock code: 346.HK) and JX Energy Limited (stock code: 3395.HK) (collectively, the “**Comparable Companies**”), which is an exhaustive list according to our research on the website of the Stock Exchange and Bloomberg based on the above criteria.

In performing our analysis, we have compared the price-to-earnings (“**P/E**”) ratios, price-to-book (“**P/B**”) ratios, enterprise value-to-earnings before interest, taxes, depreciation and amortisation (“**EV/EBITDA**”) ratios, enterprise value-to-production (“**EV/Production**”) ratios, enterprise value-to-proven reserves (“**EV/IP Reserve**”) ratios, and enterprise value-to-debt adjusted cash flow (“**EV/DACF**”) ratios of the Group implied by the Scheme Consideration to that of the Comparable Companies. Of these ratios, P/E ratio and P/B ratio are the most widely accepted multiples in equity valuation, EV/EBITDA ratio is less affected by a firm’s capital structure as compared to P/E ratio, and EV/Production, EV/IP Reserve and EV/DACF are multiples which we consider are regularly used by investors to assess the fundamentals of companies in the oil and gas sector.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets forth details of the Comparable Companies:

Stock code	Company name	Principal business	Market capitalisation	P/E ratio	P/B ratio	EV/ EBITDA	EV/ Production	EV/IP Reserve	EV/DACF
			<i>HK\$'million</i>	<i>Times</i>	<i>Times</i>	<i>Times</i>	<i>Million times</i>	<i>Million times</i>	<i>Times</i>
			<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>	<i>(Notes 6 & 7)</i>	<i>(Notes 6 & 9)</i>	<i>(Notes 6 & 9)</i>	<i>(Notes 6 & 8)</i>
857	PetroChina Company Limited	Exploration, development, transmission, production and sales of crude oil and natural gas; refining of petroleum and petroleum products; production and sales of basic and derivative chemical products; marketing and trading of refined and non-oil products; and transmission and sales of natural gas.	1,130,765	7.22	0.74	2.70	138.44	12.58	2.57
386	China Petroleum & Chemical Corporation	Exploration and production, pipeline transportation and sale of petroleum and natural gas; production, sale, storage and transportation of chemical products; import and export of oil and gas and chemical products; research, development and application of technologies and information; hydrogen energy business and related services; battery charging and swapping, solar energy, wind energy and other new energy business and related services.	714,765	9.48	0.80	1.15	97.44	13.89	1.90
883	CNOOC Limited	Exploration, development, production and sales of crude oil and natural gas.	562,424	4.53	0.90	2.29	149.00	15.93	2.41
135	Kunlun Energy Company Limited	Sales of natural gas, sales of liquefied petroleum gas and liquefied natural gas processing and terminal business and the exploration and production of crude oil and natural gas.	54,204	8.44	0.83	3.23	672.11	172.76	3.15
467	United Energy Group Limited	Investment and operation of upstream oil, natural gas and other energy related businesses.	19,455	7.62	1.32	3.23	138.60	18.08	3.18
603	China Oil And Gas Group Limited	Distribution, transmission and sales of natural gas. Includes piped city gas business, pipeline design and construction; transportation, distribution and sale of compressed natural gas and liquefied natural gas; and development, production and sale of crude oil and natural gas and other upstream energy resources.	1,522	1.33	0.31	3.32	Not disclosed	66.46	3.81
346	Yanchang Petroleum International Limited	Supply and procurement operation of oil related products as well as oil and gas exploration, exploitation, sale and operation.	990	2.78	0.97	2.35	378.30	14.32	1.78
228	China Energy Development Holdings Limited	Exploration, production and distribution of natural gas	979	11.76	0.57	6.57	Not disclosed	Not disclosed	11.40
8270	China CBM Group Company Limited	Exploitation, liquefaction production and sale of natural gas and coalbed gas.	357	4.70	2.04	2.01	Not disclosed	2.18	Cash outflow
3395	JX Energy Limited	Natural gas and crude oil exploration and production, with a focus on natural gas.	162	5.32	1.46	3.00	Not disclosed	8.38	4.91
			<i>Minimum</i>	<i>1.33</i>	<i>0.31</i>	<i>1.15</i>	<i>97.44</i>	<i>2.18</i>	<i>1.78</i>
			<i>Maximum</i>	<i>11.76</i>	<i>2.04</i>	<i>6.57</i>	<i>672.11</i>	<i>172.76</i>	<i>11.40</i>
			<i>Average</i>	<i>6.32</i>	<i>0.99</i>	<i>2.98</i>	<i>262.31</i>	<i>36.07</i>	<i>3.90</i>
2686	The Company (Note 2)		6,281	3.89	0.73	1.41	93.70	21.94	1.34

Source: Website of the Stock Exchange and the respective published financial reports/results of the Comparable Companies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Exchange rate: 1RMB=HK\$1.14 and 1 Canadian dollar=HK\$5.85.
- (2) The market capitalisation and the respective ratios of the Company were calculated based on the implied market capitalisation from the Scheme Consideration and the 2022 Annual Results.
- (3) The market capitalisation of the Comparable Companies were calculated with their respective share price and shares in issue, and if applicable, their A-shares market capitalisation, as at the Latest Practicable Date.
- (4) The P/E ratio of the Comparable Companies are calculated based on the market capitalisation of the respective companies as at the Latest Practicable Date and the value of the Company as represented by the Scheme Consideration of HK\$1.85 divided by the trailing 12 months/latest financial year's consolidated earnings attributable to shareholders of the respective companies as referenced from their most recently published financial reports/results.
- (5) The P/B ratio of the Comparable Companies are calculated based on the market capitalisation of the respective companies as at the Latest Practicable Date and the value of the Company as represented by the Scheme Consideration of HK\$1.85 divided by the NAV of the respective companies as referenced from their most recently published financial reports/results.
- (6) The enterprise value of the Comparable Companies are calculated based on the market capitalisation of the respective companies as at the Latest Practicable Date and the value of the Company as represented by the Scheme Consideration added by the market value of preferred equity and market value of external debt and minority interest value of the respective companies, and then subtracted by the cash and restricted/time deposit of the respective companies as referenced from their most recently published financial report/results.
- (7) The EBITDA of the Comparable Companies and the Company are calculated based on the trailing 12 months/latest financial year's profit/loss before taxes added by trailing 12 months/latest financial year's net finance costs, depreciation and amortization costs as referenced from their most recently published financial report/results.
- (8) The DACF of the Comparable Companies and the Company are calculated based on the trailing 12 months/latest financial year's net cash generated from/used in operating activities added by trailing 12 months net tax and interest cash outflows as referenced from their most recently published financial report/results.
- (9) Production volumes and IP Reserves used in deriving the above ratios (i.e. EV/Production ratios and EV/IP Reserves ratios) were per billion cubic feet and extracted from their respective latest disclosed figures, where available.

As shown from the table above, (i) the P/E ratio of the Company implied by the Scheme Consideration of approximately 3.89 times is within the range of P/E ratio of the Comparable Companies ranging approximately 1.33 times to 11.76 times; (ii) the P/B ratio of the Company implied by the Scheme Consideration of approximately 0.73 times is within the range of that of the Comparable Companies of approximately 0.31 times to 2.04 times; (iii) the EV/EBITDA ratio implied by the Scheme Consideration of approximately 1.41 times is within the range of that of the Comparable Companies of approximately 1.15 times to 6.57 times; (iv) the EV/IP Reserve ratio implied by the Scheme Consideration of approximately 21.94 million times is within the range of that of the Comparable Companies of approximately 2.18 million times to 172.76 million times; and (v) the EV/Production and EV/DACF ratios of the Company implied by the Scheme Consideration of approximately 93.70 million times and 1.34 times are each slightly below the low end of such ratios of the Comparable Companies of approximately 97.44 million times and 1.78 times respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite that each of the P/E, P/B, EV/EBITDA and EV/1P Reserve ratios implied by the Scheme Consideration is lower than the average of the respective ratios of the Comparable Companies, and the EV/Production and EV/DACF ratios implied by the Scheme Consideration is slightly below the low end of the respective ratios of the Comparable Companies, having taken into account, in particular, (i) each of the P/E, P/B, EV/EBITDA and EV/1P Reserve ratios represented by the Scheme Consideration being within the range of those of the Comparable Companies; (ii) the Scheme Consideration of HK\$1.85 per Scheme Share representing premiums in the range of approximately 10.1% to 25.9% over the closing Share prices for various periods before the Last Trading Date as discussed in our analysis under the section headed “5. Analysis on price performance and trading liquidity of the Shares” above; and (iii) given the historical thin trading volume of the Shares as discussed in our analysis under the section headed “5. Analysis on price performance and trading liquidity of the Shares” above, it is uncertain whether there would be sufficient liquidity in Shares for the Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares and accordingly, the Proposal gives Disinterested Scheme Shareholders an opportunity to receive the Scheme Consideration for their Scheme Shares at a premium over the current market price of the Company and at a valuation generally in line with the market, we considered it justifiable.

8. Privatisation precedents

We have compared the Proposal to privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2021 and up to the Latest Practicable Date, which have been approved by disinterested shareholders or the required acceptance level was achieved, and involve a cash consideration (excluding combined consideration of cash and shares) (the “**Privatisation Precedents**”). Based on these criteria, we have identified 30 Privatisation Precedents, which are exhaustive and a fair representation of transactions comparable to the Proposal. We consider that the analysis of the Privatisation Precedents announced since 1 January 2021 up to the Latest Practicable Date, covering more than two years, to be appropriate and sufficient to demonstrate the pricing of recent successful privatisations of Main Board listed companies in Hong Kong under recent market sentiment. The table below illustrates the premiums/discounts represented by the cancellation/offer price over the respective last

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

trading day/last full trading day/unaffected price date and respective last 10, 30, 60, 90 and 120 trading days/last full trading day/unaffected price date average share prices as well as the respective audited NAV per share, in respect of such Privatisation Precedents:

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Principal Business	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					Premium/(discount) of the cancellation/offer price over/(to) audited NAV attributable to owners of the company per share	
			Last trading day/last full trading day/price date	10 trading days	30 trading days	60 trading days	90 trading days		120 trading days
			(Note 1)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	
24 October 2022	Kingston Financial Group Limited (1031)	Provision of a wide range of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory and futures brokerage.	47.8%	47.6%	39.4%	33.3%	29.9%	26.6%	(74.8%)
8 August 2022	EVOC Intelligent Technology Company Limited (2308)	Research, development, manufacture and distribution of special computer products, assembling and trading of electronic products and accessories, and development of properties in the PRC.	15.1%	44.6%	44.6%	50.9%	52.2%	51.2%	(40.9%)
7 August 2022	Lifestyle International Holdings Limited (1212)	Operation of department stores, property development and investment in Hong Kong and United Kingdom.	62.3%	81.9%	70.1%	58.7%	48.1%	38.7%	182.9%
9 June 2022	China VAST Industrial Urban Development Company Limited (6166)	Industrial towns development, property development and property leasing in the PRC.	30.4%	28.8%	31.4%	36.9%	42.1%	45.8%	(45.2%)
2 June 2022	Xiamen International Port Co., Ltd (3378)	Container, bulk and general cargo loading and unloading and storage businesses, comprehensive port logistic services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying, the trading of merchandise and investment holding.	55.2%	100.9%	134.2%	150.0%	155.7%	158.6%	(14.8%)
24 January 2022	Guodian Technology & Environmental Group Corporation Limited (1296)	Environmental protection and energy conservation solutions and the business of renewable energy equipment manufacturing and service.	48.0%	103.8%	93.1%	107.7%	93.9%	99.1%	(13.6%)
14 January 2022	AKM Industrial Company Limited (1639)	Manufacture and sales of flexible printed circuit and flexible packaging substrates (including components) which are used in electronic products.	14.5%	31.4%	25.8%	29.0%	40.7%	50.9%	70.9%
17 December 2021	Lanzhou Zhuangyuan Pasture Co., Ltd. (1533)	Manufacturing and selling of dairy products and breeding of dairy cows.	25.2%	47.4%	43.5%	54.3%	58.8%	62.3%	26.5%
1 December 2021	RAZER INC. (1337)	Design, manufacture, distribution, research and development of gaming peripherals, systems, software, services and accessories.	55.8%	61.4%	67.9%	59.3%	51.6%	39.7%	487.5%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Principal Business	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over						Premium/(discount) of the cancellation/offer price over/(to) audited NAV attributable to owners of the company per share
			Last trading day/last full trading day/price date	10 trading days	30 trading days	60 trading days	90 trading days	120 trading days	
			(Note 1)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	
24 November 2021	Shanghai Jin Jiang Capital Company Limited (2006)	Investment and operation of hotels and related businesses, passenger transportation vehicles, logistics and related businesses and travel agency and related businesses.	56.6%	67.6%	77.1%	85.6%	86.8%	82.7%	8.8%
15 October 2021	Yorkey Optical International (Cayman) Ltd. (2788)	Manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases.	75.3%	101.0%	102.6%	101.0%	101.0%	101.4%	20.7%
8 October 2021	Dragon Crown Group Holdings Limited (935)	Terminal storage and the handling of liquid petrochemicals.	8.5%	7.5%	9.4%	20.8%	28.3%	34.7%	36.2%
30 September 2021	C.P. Pokphand Co. Ltd. (43)	Production and sale of animal feed, breeding, farming and sale of livestock and aquatic animals, and production and sale of value-added processed food products.	19.8%	17.4%	27.8%	33.7%	30.7%	27.0%	5.9%
6 September 2021	Hop Hing Group Holdings Limited (47)	Operation of quick service restaurant chain business in northern part of China.	73.9%	76.2%	70.9%	62.9%	61.0%	62.9%	63.9%
25 August 2021	Suchuang Gas Corporation Limited (1430)	Distribution and sale of piped natural gas, operating compressed natural gas and liquified natural gas refuelling station business, the provision of natural gas transmission, and acting as the main contractor of construction and connection of gas pipelines in PRC.	2.9%	23.2%	25.6%	26.3%	26.3%	25.4%	30.2%
12 August 2021	Good Friend International Holdings Inc. (2398)	Design and production of computer numerical control machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.	50.0%	73.8%	61.6%	49.0%	38.9%	33.5%	15.4%
27 July 2021	Nature Home Holding Company Limited (2083)	Manufacturing of laminated floorings, engineered floorings and plastic floorings.	39.3%	38.0%	31.6%	30.9%	38.4%	45.2%	(15.8%)
9 July 2021	Beijing Capital Land Ltd. (2868)	Real estate development and investment, commercial real estate operation, property consulting services and investment holding.	62.8%	77.2%	127.4%	149.9%	142.5%	132.3%	(38.4%)
25 June 2021	Bestway Global Holding Inc. (3358)	Manufacturing and sales of high quality and leisure products in Europe, North America, PRC and other global markets.	27.0%	32.7%	47.1%	62.8%	72.1%	84.3%	16.5%
18 May 2021	Chong Hing Bank Limited (1111)	Provisions of banking and related financial services.	97.0%	102.5%	107.4%	109.9%	113.5%	114.9%	(10.1%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Principal Business	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over						Premium/(discount) of the cancellation/offer price over/(to) audited NAV attributable to owners of the company per share
			Last trading day/last full trading day/price date	10 trading days	30 trading days	60 trading days	90 trading days	120 trading days	
			(Note 1)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	
20 April 2021	Inner Mongolia Energy Engineering Co. Ltd. (1649)	Provide a full range of service in consultancy, survey, design, general contracting, construction, equipment installation, commissioning, supervision, operation maintenance, overhauling and engineering in the power industry in the PRC.	51.3%	55.2%	41.0%	30.1%	25.5%	28.6%	55.2% (Note 3)
28 February 2021	Xiezhong International Holdings Limited (3663)	Design, production and sale of automotive heating, ventilation and air conditioning systems and the provision of technical testing and related services and 4S dealership business.	17.6%	21.2%	25.9%	38.7%	41.8%	36.0%	116.2%
25 February 2021	Sichuan Languang Justbon Services Group Co., Ltd. (2606)	Provision of property management services, consultancy services and community value-added services in the PRC.	39.4%	46.6%	46.8%	59.6%	57.4%	45.0%	183.6%
5 February 2021	Zhejiang Cangnan Instrument Group Company Limited (1743)	Manufacturing and sales of industrial and commercial gas flowmeters.	15.2%	10.6%	18.0%	25.2%	4.4%	(15.4)%	20.2%
27 January 2021	New Century Real Estate Investment Trust (1275)	The leasing of the hotel properties in the PRC.	14.3%	23.5%	34.0%	52.6%	61.6%	66.1%	(22.0)%
22 January 2021	Zhuhai Holdings Investment Group Limited (908)	Provision of port facilities in Zhuhai, provision of ferry services between Zhuhai on the one part and Hong Kong and Shekou on the other part; the management of a holiday resort, a theme park and an amusement park; property development and the operation of a golf club; the provision of factoring services; the construction of river-regulating facilities and provision of river maintenance services and the trading and distribution of fuel oil.	37.8%	37.5%	52.4%	56.1%	57.4%	63.6%	76.4%
21 January 2021	Polytec Asset Holdings Limited (208)	Property development and investment; manufacturing of ice and provision of cold storage services; oil exploration and production; and financial investments.	61.3%	63.2%	72.5%	94.2%	104.1%	105.8%	(53.0)%
20 January 2021	Zhejiang New Century Hotel Management Co., Ltd. (1158)	Operation and management of mid-scale to upscale hotel chains business.	24.7%	22.3%	20.8%	19.7%	20.3%	22.8%	174.8%
17 January 2021	HKC (Holdings) Limited (190)	Property development and investment mainly in the PRC.	120.4%	123.0%	119.5%	109.3%	100.3%	93.7%	(70.2)%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Principal Business	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					Premium/(discount) of the cancellation/offer price over/(to) audited NAV attributable to owners of the company per share		
			Last trading day/last full trading day/unaffected price date	10 trading days	30 trading days	60 trading days	90 trading days		120 trading days	
			(Note 1)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)			
13 January 2021	China Machinery Engineering Corporation (1829)	International engineering contractor and service provider with a primary focus on the engineering, procurement and construction projects and particular expertise in the power sector, capable of providing one-stop customised and integrated engineering contracting solutions and services.	45.1%	93.7%	118.5%	126.9%	126.3%	118.0%	(29.4%)	
			Minimum	2.9%	7.5%	9.4%	19.7%	4.4%	(15.4%)	(74.8%)
			Maximum	120.4%	123.0%	134.2%	150.0%	155.7%	158.6%	487.5%
			Average	43.1%	55.4%	59.6%	64.2%	63.7%	62.7%	38.8%
			Median	42.3%	47.5%	46.9%	55.2%	54.8%	51.1%	15.9%
			The Proposal	10.1%	9.3%	10.8%	24.2%	27.2%	25.9%	(27.5%)

Source: Bloomberg and website of the Stock Exchange

Notes:

- (1) Subject to rounding differences.
- (2) Up to and including the last trading day/last full trading day/unaffected price date of the shares prior to the publication of the first Rule 3.5 announcement or Rule 3.7 announcement (where applicable).
- (3) The amount represents the premium of the offer price over unaudited NAV as at 31 December 2020 as no audited NAV of the Company had been available since 2018.

The terms of the Privatisation Precedents set out above, in our view, serves to illustrate levels of premium over market prices needed in Hong Kong to secure a successful privatization, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. An analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Although the method of privatisation, the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis sets out and provides us with a meaningful analysis on the pricing of recent successful privatisations of Main Board listed companies in Hong Kong under recent market sentiment, as well as a meaningful benchmark for the Disinterested Scheme Shareholders when evaluating the premium provided in the Proposal. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for the acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Scheme Consideration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the table above, the premiums represented by the Scheme Consideration of HK\$1.85 per Scheme Share over the closing Share prices on the Last Trading Date and for the last 10, 30, 60, 90 and 120 trading days and the discount represented by the Scheme Consideration of HK\$1.85 per Scheme Share to NAV per Share are all within the range of that of the Privatisation Precedents respectively. It is worth mentioning that all of the Privatisation Precedents were successfully completed, indicating that the terms of the privatisation proposals in the Privatisation Precedents were accepted by the market and accordingly, whilst the premiums represented by the Scheme Consideration are within the range of those of the Privatisation Precedents, the terms of the Proposal are therefore considered in line with the market.

DISCUSSION OF PRINCIPAL REASONS AND FACTORS

We have formed our opinion on the terms of the Proposal, including the Scheme Consideration, after taking into account all the above principal factors and reasons and in summary particularly:

- (1) the Group does not own its gas reserves outright. It principally conducts its business through two PSC, of which the PSC of the Panzhuang concession, which contributed over 70% of the Group's total revenue for the past three years, will expire in 2028 (subject to renewal);
- (2) the Company considers that natural gas is likely to continue to play an important role in the energy policies of China. However, whether the PRC natural gas industry will repeat the growth seen in the recent decade is subject to uncertainties in both the global and domestic economies. The rate of growth in domestic consumption slackened slightly between 2021 and 2022 and the Group's total net 2P and 3P gas reserves have declined. In addition, the natural gas price has shown significant volatility, as shown in the chart included in the section headed "2. Outlook of the natural gas industry in the PRC" above;
- (3) as discussed in the section headed "5.1 Historical price performance of the Shares" above, the Scheme Consideration of HK\$1.85 per Scheme Share represents a range of premium over recently prevailing market prices of the Shares ranging from approximately 10.1% to approximately 25.9%. As at the Latest Practicable Date, the Share price was HK\$1.60 and the Scheme Consideration per Share of HK\$1.85 is substantially higher than the average Share closing price for the Pre-announcement Period of approximately HK\$1.35 per Share;
- (4) the historical trading volume of the Shares has been thin, as discussed in the section headed "5.2 Trading liquidity of the Shares" above, it is unlikely that Disinterested Scheme Shareholders could dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares. The Scheme, therefore, represents a valuable opportunity for Disinterested Scheme Shareholders, particularly those with a large holding of Scheme Shares, to dispose of their holdings at the fixed cash amount of HK\$1.85 per Share;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (5) as set out in section headed “5. Analysis on price performance and trading liquidity of the Shares”, the Scheme Consideration represents a discount to the NAV per Share. However, as set out in the section headed “6. Historical discount of market price of the Shares to the NAV per Share” above, the discount to the audited NAV per Share as at 31 December 2022 represented by the Scheme Consideration of approximately 27.5% is lower than the simple average of the Average Discounts of approximately 35.57% and is also close to the low-end of the range of Average Discounts of approximately 22.31% to approximately 42.11%;
- (6) the P/E, P/B, EV/EBITDA and EV/1P Reserve ratios implied by the Scheme Consideration are all within the range of such multiples of the Comparable Companies and the EV/Production and EV/DACF ratios implied by the Scheme Consideration are only slightly below the low end of that of the Comparable Companies as discussed in the section headed “7. Comparable Companies” above; and
- (7) the premiums represented by the Scheme Consideration over the Last Trading Day and the average Share closing prices for the last 10 days, 30 days, 60 days, 90 days and 120 days and the discount represented by the Scheme Consideration to NAV per Share are all within the corresponding range of the Privatisation Precedents, which indicates the terms of the Proposal are generally in line with the market, as discussed in the section headed “8. Privatisation Precedents” above.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Proposal, including the Scheme Consideration, are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve the Proposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Shares have been trading in the market below the Scheme Consideration since 29 October 2021 when they closed at HK\$1.75 and up to the Latest Practicable Date. However, although we consider it unlikely, there is a possibility that the Share price may exceed the Scheme Consideration in the period since the Latest Practicable Date and up to 28 April 2023, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, Disinterested Scheme Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market, if the proceeds obtained from such disposal of Shares (after deducting all transaction costs) would be higher than HK\$1.85 per Share.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Lyan Tam
Director

Calvin Leung
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry. Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 18 years of experience in the corporate finance industry.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Grand Court Rules of the Cayman Islands (2023 Revision).

SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS) TO CANCEL AND EXTINGUISH ALL THE SCHEME SHARES

INTRODUCTION

Reference is made to the joint announcement dated 17 February 2023 issued by the Offeror and the Company in relation to the Proposal. On 25 January 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act (i.e. the Scheme) involving cancellation and extinguishment of all the Scheme Shares and allotment and issue of new Shares to the Offeror, subject to the Pre-Condition (which was satisfied on 27 March 2023) and the Conditions being fulfilled or waived, as applicable.

As at the Latest Practicable Date, the Offeror held 56.95% of the total number of shares in issue of the Company.

Upon completion of the Scheme,

- (i) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled and extinguished in exchange for the payment of the Scheme Consideration of HK\$1.85 in cash for each Scheme Share to be paid by the Offeror;
- (ii) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately upon such Reduction, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished;
- (iii) the Offeror will own 100% of the total number of shares in issue of the Company; and
- (iv) the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme.

Your attention is also drawn to (i) the letter from the Board set out on pages 13 to 24 of this Scheme Document; (ii) the letter from the Independent Board Committee set out on pages 25 to 26 of this Scheme Document; (iii) the letter from the Independent Financial Adviser set

EXPLANATORY MEMORANDUM

out on pages 27 to 64 of this Scheme Document; (iv) the terms of the Scheme set out on pages S-1 to TS-3 of this Scheme Document; (v) the notice of the Court Meeting and the notice of the EGM set out on pages NCM-1 to NGM-3 of this Scheme Document; and (vi) forms of proxy in respect of the Court Meeting and the EGM as enclosed with this Scheme Document.

THE PROPOSAL

The Scheme

The Scheme Consideration

Under the Proposal, once the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$1.85 in cash for each Scheme Share, as consideration for the cancellation and extinguishment of the Scheme Shares held as at the Effective Date.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Scheme Consideration of HK\$1.85 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as required in the Takeovers Code) following the Effective Date.

As at the Latest Practicable Date, save for the 3,395,316,832 Shares in issue, there were no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

The Company does not have any outstanding dividends declared as at the Latest Practicable Date and has no intention to declare any dividend prior to completion of the Proposal.

Comparisons of value

The Scheme Consideration of HK\$1.85 per Scheme Share represents:

- a premium of approximately 15.6% over the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 10.1% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 10.1% over the average closing price of HK\$1.68 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- a premium of approximately 10.8% over the average closing price of HK\$1.67 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;

EXPLANATORY MEMORANDUM

- a premium of approximately 24.2% over the average closing price of HK\$1.49 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- a premium of approximately 25.9% over the average closing price of HK\$1.47 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date; and
- a discount of approximately 27.5% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$2.55 per Share as at 31 December 2022 (based on the audited consolidated equity attributable to the Shareholders of approximately RMB7,583.64 million (equivalent to approximately HK\$8,645.35 million) as at 31 December 2022 and 3,395,316,832 Shares in issue as at the Latest Practicable Date).

The Scheme Consideration has been determined on an arm's length commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the financial information of the Group and with reference to other similar privatisation transactions in Hong Kong in recent years.

No price increase statement

The Scheme Consideration will not be increased, and the Offeror does not reserve the right to do so.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.81 on 23 December 2022, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.19 on 31 October 2022.

Total consideration

As at the Latest Practicable Date, the Company has 3,395,316,832 Shares in issue. The 1,461,611,946 Scheme Shares represent 43.05% of the total number of shares in issue of the Company.

On the assumption that no further Shares are issued before the Scheme Record Date, the maximum amount of cash required for the Proposal would be HK\$2,703,982,100.10.

Confirmation of financial resources

The Offeror intends to finance the entire cash amount required to implement the Proposal using a combination of its internal cash resources and external debt financing.

Cinda and Huarong, as the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of consideration required to effect the Proposal.

EXPLANATORY MEMORANDUM

Pre-Condition of the Proposal

The making of the Proposal (including the Scheme) was subject to the approval by the shareholders of Xinjiang Xintai, in accordance with the articles of association of Xinjiang Xintai. On 27 March 2023, the Pre-Condition was satisfied.

Conditions of the Proposal

The Proposal (including the Scheme) will become effective and binding on the Company and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (i) the approval of the Scheme (by way of poll) at the Court Meeting by the Disinterested Scheme Shareholders representing not less than 75% in value of the Disinterested Shares present and voting either in person or by proxy at the Court Meeting in accordance with the requirements of Section 86 of the Companies Act as at the date of the Court Meeting, provided that:
 - (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders;
- (ii) the passing of:
 - (a) a special resolution by a majority of at least two-thirds of the votes cast by the Shareholders present and voting (either in person or by proxy) at the EGM to approve and give effect to the Reduction on the Effective Date by cancelling and extinguishing the Scheme Shares; and
 - (b) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting (either in person or by proxy) at the EGM immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror;

EXPLANATORY MEMORANDUM

- (iii) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the Reduction, and the delivery to the Registrar of Companies in the Cayman Islands of a sealed copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the Reduction for registration;
- (iv) the compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 14 to 17 of the Companies Act in relation to the Reduction;
- (v) all Authorisations (if any) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (vi) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (vii) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (viii) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (a) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (b) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or

EXPLANATORY MEMORANDUM

- (c) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms; and

- (ix) since the date of the Joint Announcement:

- (a) there having been no adverse change in the business, assets, financial or trading, positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and
- (b) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions in paragraphs (i) to (iv). The Company does not have the right to waive any of the above Conditions.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse.

If the Proposal is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and it is the intention of the Board to continue adhering to its existing business focus and strategies in such.

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

With reference to the Condition in paragraph (v), as at the Latest Practicable Date, the Offeror is not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (i) to (iv). With reference to the Condition in paragraph (vi), as at the Latest Practicable Date, the Offeror is not aware of any such action, proceeding, suit, investigation or enquiry, statute, regulation, demand or order. With reference to the Condition in paragraph (vi), if it is to be waived by the Offeror, such Condition shall only be waived to the extent that it would not make the implementation of the Proposal be illegal. With reference to the Condition in paragraph (vii), as at the Latest Practicable Date, the Offeror is not aware

EXPLANATORY MEMORANDUM

of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (i) to (iv). With reference to the Condition in paragraph (viii) and (ix)(b), as at the Latest Practicable Date, the Offeror is not aware of any such event or circumstance.

As at the Latest Practicable Date, none of the above Conditions had been fulfilled or waived.

An announcement will be made by the Offeror and the Company in relation to the results of the Court Meeting and the EGM on Thursday, 27 April 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among others, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Warning:

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

VOTING AT THE COURT MEETING AND THE EGM

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the Condition in paragraph (i) in the section headed “Conditions of the Proposal” in the Explanatory Memorandum is satisfied. The Shares owned by the Offeror and the Offeror Concert Parties will not be voted at the Court Meeting.

All Shareholders as at the Meeting Record Date will be entitled to attend the EGM and to vote on: (i) a special resolution to be proposed at the EGM to approve and give effect to the Reduction on the Effective Date by cancelling and extinguishing the Scheme Shares; and (ii) an ordinary resolution immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

EXPLANATORY MEMORANDUM

ARRANGEMENTS MATERIAL TO THE PROPOSAL

As at the Latest Practicable Date:

- (i) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares which might be material to the Proposal;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror and/or the Offeror Concert Parties;
- (iii) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (iv) save as disclosed in the section headed “Shareholding structure of the Company” in this Scheme Document, neither the Offeror nor any of the Offeror Concert Parties owned or had control or direction over any existing holding of voting rights and rights over the Shares;
- (v) neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal;
- (vi) there are no convertible securities, warrants or options in respect of voting rights and rights over the Shares held, controlled or directed by the Offeror and/or the Offeror Concert Parties; and
- (vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or the Offeror Concert Parties has/have borrowed or lent.

None of the Offeror or the Offeror Concert Parties had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company during the Relevant Period.

EXPLANATORY MEMORANDUM

SHAREHOLDING STRUCTURE OF THE COMPANY

Save for Mr. Ming (whose interests are as set out in Note (2) in the shareholding table below), none of the Directors beneficially has any interests in the Shares. On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal ^(Note 1)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror ^(Note 2)	1,933,704,886	56.95	3,395,316,832	100.0
Offeror Concert Party(ies):				
Ms. Zuo Na ^(Note 3)	2,024,000	0.06	—	—
Subtotal	1,935,728,886	57.01	3,395,316,832	100.0
Disinterested Scheme Shareholders	1,459,587,946	42.99	—	—
Total number of Shares	3,395,316,832	100.0	3,395,316,832	100.0

Notes:

1. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, forthwith upon such Reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the Reduction will be applied in paying up in full the new Shares so issued to the Offeror.
2. The Offeror is directly wholly-owned by Sichuan Liming, which is in turn directly wholly-owned by Xinjiang Xintai. The controlling shareholder of Xinjiang Xintai is Mr. Ming (an executive Director, the chairman of the Board, and a Controlling Shareholder), holding approximately 41.07% of the total issued shares of Xinjiang Xintai as at the Latest Practicable Date. Accordingly, Mr. Ming is deemed to be interested in 1,933,704,886 Shares held by the Offeror. In addition, for the purpose of the SFO, Mr. Ming is deemed to be interested in 2,024,000 Shares beneficially owned by his spouse. The Shares in which the Offeror are interested will not form part of the Scheme Shares and will not be voted at the Court Meeting and will not be cancelled and extinguished upon the Scheme becoming effective.
3. Ms. Zuo Na is the spouse of Mr. Ming. As a result, Ms. Zuo Na is presumed to be a party acting in concert with the Offeror. The 2,024,000 Shares held by Ms. Zuo Na will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming binding and effective in accordance with its terms.

EXPLANATORY MEMORANDUM

Only Disinterested Scheme Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Shares owned by the Offeror and the Offeror Concert Parties will not be voted at the Court Meeting.

All Shareholders will be entitled to vote at the EGM on: (i) a special resolution by a majority of at least two-thirds of the votes cast by the Shareholders present and voting, either in person or by proxy, at the EGM to approve and give effect to the Reduction on the Effective Date by cancelling and extinguishing the Scheme Shares; and (ii) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror. The Offeror and the Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, the Offeror and the Offeror Concert Parties will vote in favour of such resolutions to be proposed at the EGM.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders were interested in 1,459,587,946 Shares (representing approximately 42.99% of the total number of shares in issue of the Company).

Upon the Scheme becoming effective, the Offeror will hold 100% of the total number of shares in issue of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSAL

For Disinterested Scheme Shareholders

The Proposal gives Disinterested Scheme Shareholders an opportunity to receive the Scheme Consideration for their Scheme Shares at a premium over the current market price. The Scheme Consideration is (i) approximately 60.9% premium over the lowest closing price of HK\$1.15 per Share in the past one year and; (ii) approximately 2.2% premium over the highest closing price of HK\$1.81 per Share in the past one year, with no trading days' closing price were above the Scheme Consideration. Disinterested Scheme Shareholders who prefer to switch investment of their holding in Shares into securities of other companies with better prospects or higher share trading volume might not be able to do so in the absence of the Proposal because of the thin trading volume of the Shares. For some Disinterested Scheme Shareholders, given the current state of the economy and the uncertainty on the timing of a recovery, they may find the Proposal particularly timely.

For the Offeror and the Company

The Shares have been trading at a discount to its consolidated net asset value, ranging from approximately 23.0% to approximately 51.1% in the past one year (calculated by the lowest and the highest closing price of the Shares over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$2.35 as at 30 June 2022). The abovementioned has limited the Company's ability to raise funds from the equity

EXPLANATORY MEMORANDUM

markets and the Company does not wish to raise equity capital by means that will substantially dilute the shareholding interests of its existing Shareholders. At the same time, the cost of maintaining the Company's listing status (including those associated with regulatory compliance, disclosure and publication of financial statements) had been on the rise, defeating the original purpose for listing as the Company was not really deriving any real commercial benefit from maintaining its listing on the Stock Exchange and therefore the expenditure may not be justified. Upon completion of the privatisation, the Shares will be delisted from the Stock Exchange, which may benefit the Company from savings in costs related to the compliance and maintenance of the listing status of the Company. The Company's management will also be able to reallocate resources originally applied towards the Company's administration, compliance and other matters relating to its listing status towards the Group's business operations.

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

The Independent Board Committee, having considered the terms of the Proposal (including the Scheme), and having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposal (including the Scheme) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned and recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal (including the Scheme).

The Offeror considers that the Proposal, if successful, will provide the Offeror with more flexibility in supporting the long-term business development of the Company, without being concerned about the fluctuation of its short-term share performance, regulatory restrictions and compliance obligations arising from its listing status, and would allow the Offeror to streamline the Company's governance structure.

INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

The Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Proposal is not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and it is the intention of the Board to continue adhering to its existing business focus and strategies in such. Further announcement(s) will be made by the Offeror and the Company in the event that the Proposal lapses.

EXPLANATORY MEMORANDUM

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company; or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, except with the consent of the Executive.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Sichuan Liming, a company incorporated in the PRC with limited liability, which is in turn directly wholly-owned by Xinjiang Xintai.

The Offeror is principally engaged in investment holding. Xinjiang Xintai is principally engaged in the distribution and sales of natural gas. Xinjiang Xintai provides natural gas sales services, including natural gas sales for civilian use and commercial use, natural gas installation services, as well as compressed natural gas transportation services. Xinjiang Xintai is a company incorporated under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 603393). The controlling shareholder of Xinjiang Xintai is Mr. Ming, holding approximately 41.07% of the total issued shares of Xinjiang Xintai as at the Latest Practicable Date. According to publicly available information, the shareholding structure of the remaining approximately 58.93% of the total issued shares of Xinjiang Xintai is relatively scattered and is owned by the directors, supervisor and/or senior management of Xinjiang Xintai and their respective connected persons (including approximately 1.21% of the total issued shares of Xinjiang Xintai is held by Mr. Huang Min) and various investment funds and public shareholders as at the Latest Practicable Date.

Mr. Ming is an executive Director of the Company, chairman of the Board, a Controlling Shareholder and the chairman of the Nomination Committee of the Company. Mr. Ming is primarily responsible for the Group's overall development and growth strategies, investor and public relations, board governance and supervision of key management issues. Mr. Ming was appointed as an executive Director of the Company, chairman of the Board and chairman of the Nomination Committee of the Company on 24 August 2018. Mr. Ming has been the chairman of the board of Xinjiang Xintai since January 2013.

Mr. Ming graduated from the correspondence college of Party College of Sichuan Province Committee of the Communist Party of China (中共四川省委黨校函授學院) in 1987, majoring in law.

EXPLANATORY MEMORANDUM

INFORMATION ON THE COMPANY

The Company is a limited company incorporated in Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the coal-bed methane (“**CBM**”) exploration and development sector in the PRC. Its key operating assets, the Panzhuang and Mabi concessions, are located in the Southwestern part of the Qinshui Basin, which has the largest proved CBM geological reserves in the PRC. The Company’s Panzhuang concession is the most commercially advanced Sino-foreign CBM asset in China and the first Sino-foreign CBM cooperative project to have entered full-scale commercial development and production.

As at the Latest Practicable Date, the Company is beneficially owned as to 56.95% by the Offeror.

Your attention is drawn to Appendix I headed “Financial Information of the Group” and Appendix II headed “General Information” to this Scheme Document.

WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules, as soon as practicable after the Effective Date.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions described in the section headed “Conditions of the Proposal” in the Explanatory Memorandum on pages 68 to 71 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Thursday, 18 May 2023, it is proposed that the register of members of the Company will be closed from Friday, 5 May 2023 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that any transfers of Shares are lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. on Thursday, 4 May 2023.

EXPLANATORY MEMORANDUM

Upon the Scheme becoming effective, the Scheme Consideration will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Monday, 22 May 2023 (Cayman Islands time), the cheques for the payment of the Scheme Consideration are expected to be despatched on or before Thursday, 1 June 2023.

Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Offeror Concert Parties, the Company, Cinda, Huarong, the Independent Financial Adviser and the Share Registrar and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

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

EXPLANATORY MEMORANDUM

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation and extinguishment of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Monday, 22 May 2023 (Cayman Islands time). Settlement of the Scheme Consideration to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

OVERSEAS SCHEME SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and the Cayman Islands, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdictions.

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer to buy or sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable laws of the relevant jurisdictions.

The making and implementation of the Proposal to, and acceptance of the Proposal by, Scheme Shareholders who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions. The Offeror and the Company expressly decline any liability for breach of any of these requirements by any persons.

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

Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Cinda and Huarong, the joint financial advisers to the Offeror, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, there was one Shareholder (representing approximately 0.64% of the total number of the Shareholders) whose address as shown in the register of members of the Company was outside Hong Kong and that Shareholder held 584,371 Shares (representing approximately 0.017% of the total number of shares in issue of the Company).

EXPLANATORY MEMORANDUM

The Directors had been advised by the local counsel in the aforementioned jurisdiction that there is no restriction under the respective laws or regulations of the jurisdiction against extending the Scheme automatically or despatching this Scheme Document to the overseas Shareholder. The Scheme will apply to and this Scheme Document will be despatched to the overseas Shareholder.

Any acceptance by the holder of Scheme Shares will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Cinda and Huarong, and the Independent Financial Adviser, that those laws and regulatory requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers. For the avoidance of doubt, neither HKSCC or HKSCC Nominees will give, or be subject to, the above warranty and representation.

TAXATION AND INDEPENDENT ADVICE

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

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or other implications of accepting or rejecting the Proposal. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Cinda, Huarong or the Independent Financial Adviser or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of the implementation of the Proposal.

COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Offeror and the Company in connection with the Scheme will be borne by the Offeror if the Scheme is not approved.

If the Proposal is recommended by the Independent Board Committee, and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that each party will bear their own costs, charges and expenses.

Given that the Proposal and the Scheme are recommended by the Independent Board Committee and the Independent Financial Adviser, the Offeror and the Company have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Offeror will be borne by the Offeror; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal and the Scheme will be shared between the Company and the Offeror in equal shares.

EXPLANATORY MEMORANDUM

COURT MEETING AND EGM

The Grand Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

All Scheme Shareholders as at the Meeting Record Date may attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the Condition in paragraph (i) in the section headed “Conditions to the Proposal” above is satisfied.

Notice of the Court Meeting is set out on pages NCM-1 to NCM-4 of this Scheme Document. The Court Meeting will be held on Thursday, 27 April 2023 at the time and places specified in the notice.

All Shareholders as at the Meeting Record Date will be entitled to attend the EGM and to vote on: (i) a special resolution to be proposed at the EGM to approve and give effect to the Reduction on the Effective Date by cancelling and extinguishing the Scheme Shares; and (ii) an ordinary resolution immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

Notice of the EGM is set out on pages NGM-1 to NGM-3 of this Scheme Document. The EGM will be held at the same place and on the same date at 10:30 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned).

ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

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

EXPLANATORY MEMORANDUM

As at the Latest Practicable Date, there were 1,459,587,946 Shares held by the Disinterested Scheme Shareholders and 10% of the votes attached to such Shares would be 145,958,794 votes.

INDICATIONS AS TO VOTING

The Offeror and the Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, the Offeror and the Offeror Concert Parties will vote in favour of such resolutions to be proposed at the EGM.

BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the EGM.

ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 21 April 2023 to Thursday, 27 April 2023 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, the relevant forms of transfer of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 20 April 2023.

A subsequent purchaser of Scheme Shares will need to obtain a form of proxy from the transferor if he, she or it wishes to attend or vote at the Court Meeting or the EGM. A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Share Registrar's office at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

EXPLANATORY MEMORANDUM

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged at the Share Registrar's office at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 10:00 a.m. on Tuesday, 25 April 2023, which is 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. The white form of proxy for use at the EGM should be lodged at the Share Registrar's office at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 10:30 a.m. on Tuesday, 25 April 2023, which is 48 hours before the time appointed for holding the EGM or any adjournment thereof failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM if, among others, the resolutions are passed by the requisite majorities of the Disinterested Scheme Shareholders or the Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Offeror and the Company will make an announcement in relation to the results of the Court Meeting and the EGM, in accordance with Rule 19.1 of the Takeovers Code to the extent applicable, on Thursday, 27 April 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among others, the results of the hearing of the petition for the sanction of the Scheme and confirmation of the Reduction by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

EXPLANATORY MEMORANDUM

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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

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

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be deemed to be revoked by operation of law.

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

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. HKSCC Nominees may vote for and against the Scheme in accordance with instructions received from CCASS Participants.

EXPLANATORY MEMORANDUM

Each CCASS Participant who instructs HKSCC Nominees Limited to vote in favour of or against the Scheme shall be counted as a single shareholder and a Beneficial Owner may withdraw shares from CCASS and become a Registered Owner.

Petition Hearing in the Grand Court

Prior to the despatch of this Scheme Document, the Company obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Scheme.

In accordance with Sections 14, 15 and 86 of the Companies Act, if the resolution to approve the Scheme at the Court Meeting and the relevant resolutions at the EGM (which are (i) a special resolution to be proposed at the EGM to approve and give effect to the Reduction on the Effective Date by cancelling and extinguishing the Scheme Shares; and (ii) an ordinary resolution immediately thereafter to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror; and resolutions of authorisation to any one of the Directors to do all acts and things considered by him to be necessary or desirable in connection with the above) are passed, the Company must then make a further application to the Grand Court to sanction the Scheme and to confirm the resolution reducing the share capital of the Company. The Company and the Offeror cannot complete the Scheme and the Proposal without obtaining these approvals. In this regard, the Company has filed a petition with the Grand Court seeking these approvals which is expected to be heard on Thursday, 18 May 2023 (Cayman Islands time).

For resolutions at the Court Meeting and the EGM, please see the notice of Court Meeting set out on pages NCM-1 to NCM-4 to this Scheme Document and the notice of EGM set out on pages NGM-1 to NGM-3 to this Scheme Document for details.

In determining whether to exercise its discretion and sanction the Scheme, the Grand Court will determine, among other things, whether the votes cast at the Court Meeting fairly represented the decision of the Disinterested Scheme Shareholders and whether the Scheme is fair to the Disinterested Scheme Shareholders. At the hearing of the petition, the Court may impose such conditions as it deems appropriate in relation to the Scheme but may not impose any material changes without the joint consent of the Company and the Offeror. The Company may consent on behalf of its Shareholders to any modification of the Scheme which the Grand Court may think fit to approve or impose.

If the Grand Court sanctions the Scheme and if all of the Pre-Condition and other Conditions to the Scheme are satisfied or (to the extent allowed by law) waived, the Company intends to file a copy of the sealed court order sanctioning the Scheme and the minutes approved by the Grand Court in respect of the Reduction with the Registrar of Companies in the Cayman Islands on Monday, 22 May 2023 (Cayman Islands time) or as otherwise directed by the Grand Court, at which time the Scheme will become effective.

EXPLANATORY MEMORANDUM

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO ATTEND AND BE HEARD AT THE HEARING OF THE PETITION EXPECTED TO BE ON THURSDAY, 18 MAY 2023 (CAYMAN ISLANDS TIME) AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE EGM.

IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE STRONGLY URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.

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

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

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

FURTHER INFORMATION

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

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

EXPLANATORY MEMORANDUM

FORWARD-LOOKING STATEMENTS

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

LANGUAGE

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

1. FINANCIAL SUMMARY

Set out below is the financial information of the Group for the three years ended 31 December 2020, 2021 and 2022, as extracted from the annual reports of the Company for the years ended 31 December 2020 and 2021 and the annual results announcement of the Company for the year ended 31 December 2022:

RMB'000

	For the year ended 31 December		
	2020	2021	2022
	(audited)	(audited)	(audited)
Revenue	1,038,524	1,739,226	2,566,744
Profit before income tax	742,573	1,144,322	1,800,857
Profit attributable to owners of the Company for the year	510,296	815,679	1,416,109
	As at 31 December		
	2020	2021	2022
	(audited)	(audited)	(audited)
Current assets	2,893,611	3,165,406	3,528,809
Non-current assets	4,144,770	4,920,536	5,780,916
Current liabilities	579,450	989,722	1,347,779
Non-current liabilities	498,089	670,670	378,310

The consolidated financial statements of the Group for the three years ended 31 December 2020, 2021 and 2022 were audited. The auditors of the Group did not issue any modified opinion nor any emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the three years ended 31 December 2020, 2021 and 2022, respectively.

Summary of Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the three years ended 31 December 2020, 2021 and 2022 as extracted from the annual reports of the Company for the year ended 31 December 2020 and 2021 and the annual results announcement of the Company for the year ended 31 December 2022, are as follows:

RMB'000

	For the year ended 31 December		
	2020	2021	2022
	(audited)	(audited)	(audited)
Revenue	1,038,524	1,739,226	2,566,744
Other income	240,368	251,875	347,683
Other gains/(losses), net	2,095	18,022	(21,729)
Operating expenses			
Depreciation and amortisation	(271,368)	(396,523)	(554,238)
Employee benefit expenses	(73,372)	(102,901)	(106,833)
Exploration expenses	–	(50,280)	(94,918)
Materials, services and logistics	(190,831)	(283,644)	(379,862)
Net impairment losses			
on financial assets	(7,600)	(9,757)	(39,264)
Others	(14,187)	(17,819)	(20,396)
Total operating expenses	<u>(557,358)</u>	<u>(860,924)</u>	<u>(1,195,511)</u>
Profit from operations	<u>723,629</u>	<u>1,148,199</u>	<u>1,697,187</u>
Finance income	33,237	24,522	36,023
Finance costs	(4,834)	(5,750)	(9,738)
Exchange (losses)/gains	(9,459)	(8,597)	95,100
Finance income, net	<u>18,944</u>	<u>10,175</u>	<u>121,385</u>
Share of net loss of associates accounted for using the equity method	–	(14,052)	(17,715)
Profit before income tax	742,573	1,144,322	1,800,857
Income tax expense	(232,277)	(328,643)	(384,748)
Profit attributable to owners of the Company for the year	<u><u>510,296</u></u>	<u><u>815,679</u></u>	<u><u>1,416,109</u></u>

RMB'000

	For the year ended 31 December		
	2020 (audited)	2021 (audited)	2022 (audited)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences	<u>(31,692)</u>	<u>(1,663)</u>	<u>(58,811)</u>
Total comprehensive income attributable to owners of the Company for the year	<u>478,604</u>	<u>814,016</u>	<u>1,357,298</u>
Earnings per share (RMB)			
—Basic	0.150	0.240	0.417
—Diluted	0.150	0.240	0.417
Dividend per share (RMB)	<u>0.1031</u>	<u>0.0589</u>	<u>0</u>
Amount of dividend distributed to owners (RMB'000)	<u>358,755</u> ^(Note 1)	<u>351,120</u> ^(Note 2)	<u>196,790</u> ^(Note 3)

Save as disclosed above, there was no other item of any income or expense which were material in the audited consolidated financial statements of the Group for each of the year ended 31 December 2020, 2021 and 2022.

Notes:

1. being the payment of dividend for the year ended 31 December 2019
2. being the payment of dividend for the year ended 31 December 2020
3. being the payment of dividend for the year ended 31 December 2021

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group (the “**Financial Statements**”) for the three years ended 31 December 2020, 2021 and 2022, together with significant accounting policies and any points from the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The Financial Statements for the year ended 31 December 2020 together with the notes to the relevant published financial statements are set out on pages 100 to 181 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) published on 7 April 2021. The 2020 Annual Report is posted on the Company’s website www.aagenergy.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0407/2021040702345.pdf>

The Financial Statements for the year ended 31 December 2021 together with the notes to the relevant published financial statements are set out on pages 101 to 189 of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) published on 14 April 2022. The 2021 Annual Report is posted on the Company’s website www.aagenergy.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0414/2022041400573.pdf>

The Financial Statements for the year ended 31 December 2022 together with the notes to the relevant published financial statements are set out from pages 15 to 35 in the annual results announcement of the Company for the year ended 31 December 2022 (the “**2022 Annual Results Announcement**”) which was published on 14 March 2023 on the Company’s website www.aagenergy.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2022 Annual Results Announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0314/2023031401362.pdf>

The Financial Statements for the years ended 31 December 2020, 2021 and 2022 (but not any other part of the 2020 Annual Report, 2021 Annual report and 2022 Annual Results Announcement) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 January 2023, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Scheme Document, the Group in aggregate had the following outstanding indebtedness:

Bank Borrowings

The Group had no bank borrowings.

Lease Liabilities

The Group had lease liabilities of approximately RMB54.53 million.

Contingent liabilities

The Group had no contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitment, guarantees or material contingent liabilities at the close of business on 31 January 2023.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Board comprises Mr. Ming Zaiyuan, Mr. Yan Danhua, and Mr. Zhang Jianbing as executive directors; Mr. Huang Min as non-executive director; and Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao as independent non-executive directors.

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

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

The board of directors of Xinjiang Xintai comprises Mr. Ming Zaiyuan, Mr. Zhang Shu, Mr. Zhang Xinlong and Mr. Chen Jianxin as executive directors; and Mr. Ren Junqiang, Mr. Huang Jian and Mr. Liao Zhongxin as independent directors.

The directors of Xinjiang Xintai jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors (other than Mr. Ming Zaiyuan) in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was USD600,000 divided into 6,000,000,000 Shares; and
- (b) the issued and paid-up share capital of the Company comprised 3,395,316,832 Shares.

All of the Shares in issue rank pari passu in all respects including as to capital, dividends and voting.

No Shares had been issued by the Company since 31 December 2022 (being the end of the last financial year of the Company); and the Company does not have any outstanding options, warrants or conversion rights affecting Shares in the Company.

3. MARKET PRICES

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date and (iii) at the last trading day of each month during the Relevant Period:

Date	Closing Price per Share
24 March 2023, being the Latest Practicable Date	HK\$1.60
28 February 2023	HK\$1.73
20 January 2023, being the Last Trading Date	HK\$1.68
30 December 2022	HK\$1.73
30 November 2022	HK\$1.42
31 October 2022	HK\$1.19
30 September 2022	HK\$1.34
31 August 2022	HK\$1.48

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$1.81 per Share as quoted on the Stock Exchange on 23 December 2022, and the lowest closing price of the Shares was HK\$1.19 per Share as quoted on the Stock Exchange on 31 October 2022.

- (c) The Scheme Consideration of HK\$1.85 per Scheme Shares represents:
- (i) a premium of approximately 15.6% over the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (ii) a premium of approximately 10.1% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Last Trading Date;
 - (iii) a premium of approximately 10.1% over the average closing price of HK\$1.68 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
 - (iv) a premium of approximately 10.8% over the average closing price of HK\$1.67 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
 - (v) a premium of approximately 24.2% over the average closing price of HK\$1.49 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
 - (vi) a premium of approximately 25.9% over the average closing price of HK\$1.47 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date; and
 - (vii) a discount of approximately 27.5% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$2.55 per Share as at 31 December 2022 (based on the audited consolidated equity attributable to the Shareholders of approximately RMB7,583.64 million (equivalent to approximately HK\$8,645.35 million) as at 31 December 2022 and 3,395,316,832 Shares in issue as at the Latest Practicable Date).

4. DISCLOSURE OF INTERESTS IN THE SHARES

Interests of Directors in the Shares

As at the Latest Practicable Date, the interests and positions of the Directors of the Company in the Shares, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules; or (d) to be disclosed in accordance with the Takeovers Code, are set out below:

Name of director	Company/name of associated corporation	Capacity/ Nature of interest	Number of Shares held	Percentage of issued Shares
Ming Zaiyuan (Note)	Company	Interest in a controlled corporation	1,933,704,886	56.95%
		Interest of spouse	2,024,000	0.06%
Huang Min	Xinjiang Xintai	Beneficial owner	5,146,656	1.21%
		Interest of spouse	60,000	0.01%

Note: The Offeror is directly wholly-owned by Sichuan Liming, which is in turn directly wholly-owned by Xinjiang Xintai. The controlling shareholder of Xinjiang Xintai is Mr. Ming (an executive Director, the chairman of the Board, and a Controlling Shareholder), holding approximately 41.07% of the total issued shares of Xinjiang Xintai as at the date of this Scheme Document. Accordingly, Mr. Ming is deemed to be interested in 1,933,704,886 Shares held by the Offeror. In addition, for the purpose of the SFO, Mr. Ming is deemed to be interested in 2,024,000 Shares beneficially owned by his spouse.

Other interests in the Shares

As at the Latest Practicable Date:

- (a) neither the Offeror nor any Offeror Concert Party had received any irrevocable commitment to vote for or against the Proposal;
- (b) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any Offeror Concert Party;
- (c) none of the Offeror or any Offeror Concert Party had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (d) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (e) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (f) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis; and
- (g) neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

5. DEALINGS IN THE SHARES

- (a) During the Relevant Period:
 - (i) no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
 - (ii) none of the Offeror, the directors of the Offeror or any Offeror Concert Party had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any Offeror Concert Party had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

- (b) During the offer period (up to the Latest Practicable Date):
- (i) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
 - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES

As at the Latest Practicable Date, save as disclosed in the section headed “Information on the Offeror” on page 76 of this Scheme Document, none of the Company and the Directors was interested in any of the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

7. DEALINGS IN OFFEROR’S SHARES

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) save for the Proposal and the Scheme, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the Offeror Shares which might be material to the Proposal or the Scheme;
- (b) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (c) there were no agreements, arrangements or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposal;
- (d) there was no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal or the Scheme;
- (e) there was no understanding, arrangement or agreement which constitutes a “special deal” (under Rule 25 of the Takeovers Code) between: (i) any Shareholder and (ii) either (A) the Offeror or any Offeror Concert Party; or (B) the Company or any of its subsidiaries or associated companies (each as defined in the Takeovers Code); and
- (f) save for the Scheme Consideration, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any Offeror Concert Party to the Scheme Shareholders in connection with the Proposal or the Scheme.

9. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

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

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. MATERIAL CONTRACTS

There was no material contract entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the offer period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries.

13. EXPERTS AND CONSENTS

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

Name	Qualification
Cinda	a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror
Huarong	a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror
China Galaxy International Securities (Hong Kong) Co., Limited	a licensed corporation under the SFO, registered to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company

Name	Qualification
Somerley Capital Limited	a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee on the Proposal and as to voting

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

14. MISCELLANEOUS

- (a) The executive Directors are Mr. Ming Zaiyuan, Mr. Yan Danhua, and Mr. Zhang Jianbing; the non-executive Director is Mr. Huang Min; and the independent non-executive Directors are Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao.
- (b) The company secretary of the Company is Ms. Su Xiaohang.
- (c) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (d) The head office and principal place of business of the Company in Hong Kong is at Unit 2506, 25/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong.
- (e) The address of the Offeror is at 3806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (f) The principal share registrar of the Company is Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands.
- (g) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (h) The principal business address of the Independent Financial Adviser is at 20/F, China Building, 29 Queen's Road Central, Hong Kong.

- (i) The principal members of the Offeror's concert group are:
- (i) Mr. Ming, the controlling shareholder of Xinjiang Xintai (which in turn indirectly wholly owns the Offeror), whose correspondence address is No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC;
 - (ii) Xinjiang Xintai, whose registered address is No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC;
 - (iii) the board of directors of Xinjiang Xintai, comprising Mr. Ming, Mr. Zhang Shu, Mr. Zhang Xinlong and Mr. Chen Jianxin as executive directors; and Mr. Ren Junqiang, Mr. Huang Jian and Mr. Liao Zhongxin as independent directors, whose correspondence addresses are as follows:

Name	Address
Mr. Ming	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC
Mr. Zhang Shu	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC
Mr. Zhang Xinlong	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC
Mr. Chen Jianxin	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC
Mr. Ren Junqiang	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC
Mr. Huang Jian	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC
Mr. Liao Zhongxin	No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC

- (iv) Sichuan Liming, whose registered address is Nos. 2–4, 2/F, Building 1, Commercial Plot, Deyang Xi Wang City, No. 477 Lu Shan North Road, Deyang City, Sichuan, PRC;
- (v) Mr. Ming Zaiyuan, the sole director of Sichuan Liming, whose correspondence address is Nos. 2–4, 2/F, Building 1, Commercial Plot, Deyang Xi Wang City, No. 477 Lu Shan North Road, Deyang City, Sichuan, PRC;
- (vi) Mr. Huang Min, the sole director of the Offeror, whose correspondence address is 3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong; and
- (vii) Ms. Zuo Na, the spouse of Mr. Ming and is presumed to be a party acting in concert with the Offeror, whose correspondence address is No. 61, Midong North Road, Midong District, Urumqi, Xinjiang, PRC.

- (j) The principal business address of Cinda is at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (k) The principal business address of Huarong is at 15/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong.
- (l) The principal business address of China Galaxy International Securities (Hong Kong) Co., Limited is at 20/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

15. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents are available for display from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time) at the principal place of business of the Company in Hong Kong at Unit 2506, 25/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong; (ii) on the website of the Company (www.aagenergy.com); (iii) on the respective websites of the SFC (www.sfc.hk) and the Stock Exchange (www.hkexnews.hk):

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the year ended 31 December 2020 and 31 December 2021;
- (d) the annual results announcement of the Company for the year ended 31 December 2022;
- (e) the letter from the Board, the text of which is set out on pages 13 to 24 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 64 of this Scheme Document;
- (h) the written consents referred to in the section headed "Experts and consents" in Appendix II to this Scheme Document; and
- (i) this Scheme Document.

SCHEME OF ARRANGEMENT

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

CAUSE NO. FSD 62 OF 2023 (IKJ)

**IN THE MATTER OF SECTIONS 14 TO 16 AND SECTION 86 OF THE COMPANIES
ACT (2023 REVISION)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES (2023
REVISION)**

AND IN THE MATTER OF AAG ENERGY HOLDINGS LIMITED

SCHEME OF ARRANGEMENT
between
AAG ENERGY HOLDINGS LIMITED
亞美能源控股有限公司
and
THE SCHEME SHAREHOLDERS
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“Cinda”	Cinda International Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror;
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands;
“Company”	AAG Energy Holdings Limited (亞美能源控股有限公司), a company incorporated as an exempted company with limited liability under the laws of the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2686);
“Court Meeting”	a meeting of the Disinterested Scheme Shareholders to be convened at the direction of the Grand Court at 10:00 a.m. on Thursday, 27 April 2023 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong, or any adjournment thereof at which the Scheme (with or without modification) will be voted upon;

SCHEME OF ARRANGEMENT

“Director(s)”	the director(s) of the Company;
“Disinterested Scheme Shareholder(s)”	holders of the Shares other than the Offeror and the Offeror Concert Parties;
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Grand Court”	the Grand Court of the Cayman Islands;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huarong”	Huarong International Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror;
“Independent Board Committee”	the independent board committee of the Company formed to advise the Disinterested Scheme Shareholders on the Proposal;
“Latest Practicable Date”	24 March, 2023 being the latest practicable date for ascertaining certain information contained herein;
“Long Stop Date”	25 September 2023, or such later date, if any, as (i) the Offeror and the Company may agree in writing; or (ii) to the extent applicable, as the Grand Court may direct, and in all cases, as may be permitted by the Executive;
“Offeror”	Liming Holding Limited, a company incorporated in Hong Kong with limited liability;
“Offeror Concert Party(ies)”	person(s) acting in concert with the Offeror, including but not limited to Mr. Ming Zaiyuan, Ms. Zuo Na and Mr. Huang Min;
“PRC”	the People’s Republic of China which, for the purpose of this Scheme Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

SCHEME OF ARRANGEMENT

“Proposal”	the proposed pre-conditional privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange;
“Reduction”	the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares;
“Scheme”	a scheme of arrangement proposed under Section 86 of the Companies Act for the implementation of the Proposal;
“Scheme Consideration”	the amount of HK\$1.85 per Scheme Share payable by the Offeror in cash to the Scheme Shareholders for the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme;
“Scheme Document”	the composite scheme document despatched by the Offeror and the Company on 29 March 2023;
“Scheme Record Date”	Thursday, 18 May 2023 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to receive the Scheme Consideration under the Proposal;
“Scheme Share(s)”	Share(s) held by the Scheme Shareholders (being all the Shares other than those held by the Offeror);
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Scheme Record Date;
“Share(s)”	Share(s) of US\$0.0001 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“U.S.” or “United States”	United States of America;
“US\$”	the United States dollar, the lawful currency of the United States; and
“%”	per cent.

SCHEME OF ARRANGEMENT

- (B) The Company was incorporated in the Cayman Islands on 23 December 2014 under the provisions of the Companies Act as an exempted company with limited liability.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was US\$600,000 divided into 6,000,000,000 shares of a single class with a par value of US\$0.0001 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$339,531.68 divided into 3,395,316,832 Shares, with the remainder being unissued. The issued shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 23 June 2015.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares, which will be cancelled and extinguished in consideration of the Scheme Consideration. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be restored to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the new issuance to the Offeror at par, credited as fully paid, the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) As at the Latest Practicable Date, the Offeror held 56.95% of the total number of shares in issue of the Company.
- (G) As at the Latest Practicable Date, the (i) 2,024,000 Share held by Ms. Zuo Na, being an Offeror Concert Party and (ii) 1,459,587,946 Shares held by the Disinterested Scheme Shareholders altogether representing approximately 43.05% of the total number of issued Shares, constitute the Scheme Shares.
- (H) The Offeror and its Concert Parties will not vote at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme.
- (I) For the purpose of approving the Scheme, the Offeror Concert Parties are considered under the laws of Cayman Islands as having different interests from those of the Disinterested Scheme Shareholders. The Company would have been required to hold a formal meeting of the Offeror Concert Parties as a separate class to consider, and if thought fit, approve (with or without modification) the Scheme. Nevertheless, each of the Offeror and its Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court and the Company to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme. Therefore, such formal meeting of the Offeror Concert Parties is waived on the grounds that all such Offeror Concert Parties who are interested in the Scheme Shares have undertaken to be bound by the terms of the Scheme if sanctioned.

THE SCHEME

PART I

Cancellation and extinguishment of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing all of the Scheme Shares and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Scheme Consideration;
 - (b) subject to and forthwith upon the Reduction taking effect, the number of issued Shares in the share capital of the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by issuing to the Offeror the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued to the Offeror, credited as fully paid, as mentioned in paragraph 1(b) above.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to the holders of the Scheme Shares, the Scheme Consideration for each Scheme Share cancelled and extinguished.

PART III

General

3. (a) As soon as possible and not later than seven (7) Business Days following the Effective Date, the Offeror shall send or cause to be sent to Scheme Shareholders cheques in respect of the Scheme Consideration payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme.
- (b) Unless otherwise indicated in writing to the branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, all such cheques payable to the Scheme Shareholders shall be sent by ordinary post addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the

THE SCHEME

address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.

- (c) Cheques shall be posted at the risk of the addressee and none of the Offeror, the Offeror Concert Parties, the Company, Cinda, Huarong, the Independent Financial Adviser and the Share Registrar and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.
- (d) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six (6) calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand any cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiration of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.
- (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- (h) Upon cancellation and extinguishment of the Scheme Shares, the register of members of the Company shall be updated to reflect such cancellation and extinguishment.

THE SCHEME

4. Each instrument of transfer and certificate existing at the Scheme Record Date in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Offeror to deliver up the same to the Offeror for the cancellation and extinguishment thereof.
5. All mandates or relevant instructions to the Company in force at the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.
6. This Scheme shall become effective as soon as a sealed copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the Reduction for registration is delivered to the Registrar of Companies in the Cayman Islands for registration.
7. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
8. The Offeror and the Company may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Grand Court may think fit to approve or impose.
9. All costs, charges and expenses of the advisers and counsels appointed by the Company will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme will be shared between the Company and the Offeror equally.

NOTICE OF COURT MEETING

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

CAUSE NO. FSD 62 OF 2023 (IKJ)

**IN THE MATTER OF SECTIONS 14 TO 16 AND SECTION 86 OF THE COMPANIES
ACT (2023 REVISION)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES (2023
REVISION)**

AND IN THE MATTER OF AAG ENERGY HOLDINGS LIMITED

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 24 March 2023 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Disinterested Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between AAG Energy Holdings Limited 亞美能源控股有限公司 (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme of Arrangement) and that the Court Meeting will be held on Thursday, 27 April 2023 at 10:00 a.m. Hong Kong time at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong (the “**Court Meeting Venue**”) at which place and time all Disinterested Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Disinterested Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 29 March 2023 despatched to members of the Company on 29 March 2023.

In the case of joint holders of a share, any one of such joint holders may vote, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting, the vote of the senior holder 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 of the joint holders stand on the register of members of the Company in respect of such joint holding.

It is requested that forms appointing proxies, together with the power of attorney or other authority (if any) under which they are signed or a certified copy thereof (in the case of a corporation either under its seal or under the hand of an attorney or a duly authorised officer on its behalf), be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 10:00 a.m. on Tuesday, 25 April 2023, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting (who will have absolute discretion on whether or not to accept it).

The completion and return of a form of proxy for the Court Meeting will not preclude the Disinterested Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

NOTICE OF COURT MEETING

For the purpose of determining the entitlements of the Disinterested Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Friday, 21 April 2023 to Thursday, 27 April 2023 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting, the relevant forms of transfer of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar (as defined in the Scheme of Arrangement) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 20 April 2023. A subsequent purchaser of Scheme Shares will need to obtain a form of proxy from the transferor if he/she/it wishes to attend and vote at the Court Meeting.

By the Order, the Court has appointed Mr. Tai Kwok Leung Alexander, who is an independent non-executive Director of the Company, failing whom, any other director of the Company (not being a person considered to be acting in concert with the Offeror under the Takeovers Code) at the date of the Order, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent Sanction of the Grand Court as set out in the Explanatory Memorandum contained in the composite scheme document.

By Order of the Court
AAG Energy Holdings Limited
亞美能源控股有限公司

Dated 29 March 2023

Registered Office:

P.O. Box 31119, Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Principal Place of Business

in Hong Kong:
Unit 2506
25/F, Cosco Tower
183 Queen’s Road Central
Sheung Wan, Hong Kong

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme of Arrangement shall have the same meanings when used in this notice.
2. A pink form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the Scheme Document.
3. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.

NOTICE OF COURT MEETING

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
5. The pink form of proxy, together with (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority (in the case of a corporation, either under its seal or under the hand of an attorney or a duly authorised officer on its behalf), shall be lodged to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
6. Lodging of the pink form of proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting 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, and 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.
8. The English text of this notice of court meeting shall prevail over the Chinese text in case of inconsistency.
9. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or "extreme conditions" caused by super typhoons is in force at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company's website at www.aagenergy.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
10. If a member has any particular access requirements or needs special arrangements for participating at the meeting, please call the hotline of the Hong Kong branch share registrar of the Company and transfer office at (852) 2862 8555.

NOTICE OF EGM



AAG

AAG Energy Holdings Limited

亞美能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2686)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of AAG Energy Holdings Limited (the “**Company**”) will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 27 April 2023 at 10:30 a.m. (Hong Kong time) (or, immediately after the conclusion or the adjournment of the meeting of the Disinterested Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. “**THAT**

- (a) pursuant to a scheme of arrangement dated 29 March 2023 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose; and subject to the Scheme of Arrangement having become effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is hereby approved.”

NOTICE OF EGM

ORDINARY RESOLUTION

2. “**THAT**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid, the same number of new ordinary shares of US\$0.0001 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

By order of the Board
AAG Energy Holdings Limited
Mr. Zhang Jianbing
Executive Director

Hong Kong, 29 March 2023

Notes:

- 1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme of Arrangement shall have the same meanings when used in this notice.
- 2. Voting at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.
- 3. The register of members of the Company will be closed from Friday, 21 April 2023 to Thursday, 27 April 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the extraordinary general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 April 2023.

NOTICE OF EGM

4. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
6. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
7. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting 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, and 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.
9. The English text of this notice of extraordinary general meeting shall prevail over the Chinese text in case of inconsistency.
10. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or "extreme conditions" caused by super typhoons is in force at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company's website at www.aagenergy.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
11. If a member has any particular access requirements or needs special arrangements for participating at the meeting, please call the hotline of the Hong Kong branch share registrar of the Company and transfer office at (852) 2862 8555.
12. As at the date hereof, the executive directors of the Company are Mr. Ming Zaiyuan, Mr. Yan Danhua, and Mr. Zhang Jianbing; the non-executive director of the Company is Mr. Huang Min; and the independent non-executive directors of the Company are Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao.