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ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED

能源國際投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

(I) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



紅日資本有限公司

RED SUN CAPITAL LIMITED

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 64 of this circular.

A notice convening the EGM to be held on Friday, 18 August 2023 at 3:00 p.m. at Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

28 July 2023

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“acting in concert”	having the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 28 April 2023 in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver
“associate(s)”	having the meaning ascribed thereto under the Listing Rules or the Takeovers Code, where the context requires
“Astrum”	Astrum Capital Management Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the financial adviser to the Company in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver
“business day”	a day on which banks in Hong Kong are open for business and the Stock Exchange is open for business of dealing in securities, other than a Saturday or Sunday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
“Company”	Energy International Investments Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange with stock code 353
“Completion”	the completion of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) in accordance with the terms and subject to the conditions of the Subscription Agreement

DEFINITIONS

“Completion Date”	the date of Completion, which shall take place within five business days after the date upon which the last of the Conditions is satisfied (or, where permissible, waived) or such other time and date as the Company and the Subscriber may mutually agree
“Conditions”	the conditions precedent to Completion as contained in the Subscription Agreement and summarized in the paragraph headed “The Subscription Agreement – Conditions” in the Letter from the Board contained in this circular
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 18 August 2023 at 3:00 p.m. at Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Giant Crystal”	Giant Crystal Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Subscriber and a substantial Shareholder holding 215,431,372 Shares, representing approximately 29.90% of the issued share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Company, comprising all independent non-executive Directors, namely, Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan, which was established by the Board for the purpose of advising the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and making recommendation as to voting
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendation as to voting
“Independent Shareholders”	Shareholders other than (i) the Subscriber and parties acting or presumed to be acting in concert with it (including Giant Crystal, Mr. Cao, Mr. Liu and Mr. Hu); and (ii) any Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver and are required by the Listing Rules and/or the Takeovers Code to abstain from voting on the relevant resolutions at the EGM
“Latest Practicable Date”	26 July 2023, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Long Stop Date”	the long stop date for the satisfaction or (where applicable) waiver of the Conditions, which was originally fixed for 31 July 2023 pursuant to the Subscription Agreement but subsequently extended to 31 August 2023 (or such later date as may be agreed in writing between the Company and the Subscriber) pursuant to the Supplemental Agreement
“Mr. Cao”	Mr. Cao Sheng, an executive Director, the chairman of the Board, the holder of 50% issued share capital of the Subscriber and a director of the Subscriber
“Mr. Hu”	Mr. Hu Xiaoliang, the holder of 30% issued share capital of the Subscriber
“Mr. Liu”	Mr. Liu Yong, an executive Director, the chief executive officer of the Company, the holder of 20% issued share capital of the Subscriber and a director of the Subscriber
“PRC”	the People’s Republic of China
“Profit Alert Announcement”	the announcement of the Company dated 19 April 2023 in relation to the positive profit alert
“Profit Alert Announcements”	collectively, the Profit Alert Announcement and the Supplemental Profit Alert Announcement
“Relevant Period”	the period commencing from 29 October 2022, being the date falling six months before the date of the Announcement, up to and including the Latest Practicable 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)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Specific Mandate”	the specific mandate proposed to be obtained from the Independent Shareholders at the EGM to issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Cosmic Shine International Limited, a company incorporated in the British Virgin Islands and legally and beneficially owned as to 50% by Mr. Cao, 20% by Mr. Liu and 30% by Mr. Hu
“Subscription”	the proposed subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional share subscription agreement dated 28 April 2023 entered into between the Company and the Subscriber in relation to the Subscription as supplemented by the Supplemental Agreement (where the context requires)
“Subscription Price”	HK\$0.416 per Subscription Share
“Subscription Shares”	360,000,000 Shares to be allotted and issued to the Subscriber pursuant to the terms and subject to the conditions of the Subscription Agreement
“Supplemental Agreement”	the supplemental agreement dated 21 June 2023 entered into between the Company and the Subscriber to extend the Long Stop Date from 31 July 2023 to 31 August 2023 (or such later date as may be agreed in writing between the Company and the Subscriber)
“Supplemental Profit Alert Announcement”	the supplemental announcement of the Company dated 16 June 2023 in relation to the positive profit alert
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting or presumed to be acting in concert with it) as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED

能源國際投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

Executive Directors:

Mr. Cao Sheng (*Chairman*)
Mr. Liu Yong (*Chief Executive Officer*)
Mr. Chan Wai Cheung *Admiral*
Mr. Lan Yongqiang
Mr. Shi Jun
Mr. Luo Yingnan

Independent non-executive Directors:

Mr. Tang Qingbin
Mr. Wang Jinghua
Mr. Fung Nam Shan

Registered office:

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of business
in Hong Kong:*

Units 4307-08, Office Tower
Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong

28 July 2023

To the Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE;
AND
(II) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver.

* For identification purpose only

LETTER FROM THE BOARD

On 28 April 2023 (after trading hours), the Company (as issuer) and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 360,000,000 new Shares at the Subscription Price of HK\$0.416 per Subscription Share for a total consideration of approximately HK\$149.8 million in cash. On 21 June 2023, the Company and the Subscriber entered into the Supplemental Agreement to extend the Long Stop Date from 31 July 2023 to 31 August 2023 (or such later date as may be agreed in writing between the Company and the Subscriber).

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver; (iv) a notice of EGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

THE SUBSCRIPTION AGREEMENT

The major terms and conditions of the Subscription Agreement are set out below:

Date: 28 April 2023 (after trading hours)

Parties: (a) the Company (as issuer); and
(b) the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability whose principal activity is investment holding. As at the Latest Practicable Date, (a) Giant Crystal, a wholly-owned subsidiary of the Subscriber, is principally engaged in investment holding and is a substantial Shareholder holding 215,431,372 Shares, representing approximately 29.90% of the issued share capital of the Company; (b) the Subscriber is legally and beneficially owned as to 50% by Mr. Cao, 20% by Mr. Liu and 30% by Mr. Hu; and (c) the directors of the Subscriber are Mr. Cao and Mr. Liu. As Mr. Cao and Mr. Liu are executive Directors, the Subscriber is a connected person of the Company.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 360,000,000 new Shares at the Subscription Price of HK\$0.416 per Subscription Share for a total consideration of approximately HK\$149.8 million in cash. The Subscriber may nominate its wholly-owned subsidiary to take up the Subscription Shares on Completion.

As at the Latest Practicable Date, there were 720,562,890 Shares in issue. The 360,000,000 Subscription Shares represent (i) approximately 50.0% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.3% of the issued share capital of the Company as enlarged by the 360,000,000 Subscription Shares, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save and except for the Subscription).

Subscription Price

The Subscription Price of HK\$0.416 per Subscription Share represents:

- (i) a discount of approximately 5.5% to the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 8.4% to the average closing price of HK\$0.454 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (iii) a discount of approximately 7.6% to the average closing price of HK\$0.450 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (iv) a discount of approximately 37.9% to the closing price of HK\$0.670 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.79%, represented by the theoretical diluted price of approximately HK\$0.441 per Share to the benchmarked price of approximately HK\$0.454 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Subscription Agreement of HK\$0.440 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement of HK\$0.454 per Share);

LETTER FROM THE BOARD

- (vi) a discount of approximately 63.9% to the unaudited equity attributable to owners of the Company of approximately HK\$1.154 per Share as at 30 September 2022, which is calculated based on (a) the unaudited consolidated equity attributable to owners of the Company of approximately HK\$831,324,000 as at 30 September 2022; and (b) a total of 720,562,890 issued Shares as at 30 September 2022 and the Latest Practicable Date;
- (vii) a discount of approximately 65.5% to the audited equity attributable to owners of the Company of approximately HK\$1.206 per Share as at 31 March 2023, which is calculated based on (a) the audited consolidated equity attributable to owners of the Company of approximately HK\$869,114,000 as at 31 March 2023; and (b) a total of 720,562,890 issued Shares as at 31 March 2023 and the Latest Practicable Date; and
- (viii) a discount of approximately 64.5% to the adjusted audited equity attributable to owners of the Company of approximately HK\$1.172 per Share as at 31 March 2023, the calculation of which is set out under the paragraph headed “1. Summary of financial information of the Group – Adjusted audited net asset value” on page I-4 in Appendix I to this circular.

The Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions

Completion is conditional upon fulfillment or waiver, if applicable by the Subscriber, of the Conditions set out as follow:

- (i) there being no material breach of the representations and warranties of the Company under the terms of the Subscription Agreement;
- (ii) no material adverse change in relation to the business, financial or trading position of the Group as a whole having occurred;
- (iii) the approval of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the Specific Mandate by more than 50% of the Independent Shareholders at the EGM by way of poll;

LETTER FROM THE BOARD

- (iv) the Executive having granted to the Subscriber the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied, and the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll;
- (v) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to Completion; and
- (vi) the compliance of any other requirements imposed by the Stock Exchange and/or the SFC in relation to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the allotment and issue of the Subscription Shares, whether under the Listing Rules, the Takeovers Code or otherwise.

The Company shall use its best endeavors to procure the fulfillment of the above Conditions. The parties to the Subscription Agreement shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by the Stock Exchange and/or the SFC in connection with the fulfillment of such Conditions. The Subscriber may at its discretion waive the Conditions (i) and (ii) above. The other Conditions cannot be waived by either party to the Subscription Agreement.

The Long Stop Date for the fulfillment or waiver (as the case may be) of the Conditions was originally fixed for 31 July 2023 but subsequently extended to 31 August 2023 (or such later date as may be agreed in writing between the Company and the Subscriber) pursuant to the Supplemental Agreement. In the event that not all the Conditions have been fulfilled or waived (as the case may be) on or before the Long Stop Date, then unless the Long Stop Date is extended by mutual consent of the Company and the Subscriber, the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) shall terminate and lapse, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other save for any antecedent breaches of the Subscription Agreement.

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

Completion

Completion shall take place within five business days after the date upon which the last of the Conditions is satisfied (or, where permissible, waived) or such other time and date as the Company and the Subscriber may mutually agree.

LETTER FROM THE BOARD

LOCK-UP UNDERTAKING

The Subscriber undertakes to and covenants with the Company that it shall not, in the period commencing on the Completion Date and ending on the date which is 6 months from the Completion Date, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the EGM.

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and the principal activities of the Company's subsidiaries include oil and liquefied chemical terminal (together with its storage and logistics facilities) and the provision of agency services and trading of oil and liquefied chemical products in the PRC, and insurance brokerage service in Hong Kong.

The Company's subsidiary, Shandong Shundong Port Services Company Limited ("**Shundong Port**"), owns two sea area use rights covering an aggregate area available for land-forming and reclamation construction of approximately 31.59 hectares in Dongying Port, Shandong Province, the PRC and permitting the construction of reclamation and land-forming for use in sea transportation and port facilities for a 50-year period running from 13 November 2014 to 12 November 2064 and 23 February 2016 to 22 February 2066, respectively. Shundong Port has completed the construction and commenced leasing of its storage and logistics facilities (the "**Port and Storage Facilities**") since 2017, with full commercial operation having been achieved in May 2018. The Port and Storage Facilities are located in the vicinity of the traditional petrochemical refinery area near Shengli Oilfield near Dongying City, and are among the few in Dongying Port which can berth 10,000 tonnage ships. As disclosed in the Company's announcement dated 30 December 2020, the Port and Storage Facilities were leased to an independent third party lessee up to 19 May 2023. As affected by the lockdown measures and COVID-19, the recruitment and training of the Group's own specialist team was delayed in 2022, as a result of which the Group has not yet obtained all necessary licenses for the self-operation of part of the Port and Storage Facilities before the expiry of the then existing lease agreement (i.e. 19 May 2023). To ensure the undisrupted services of the end customers of the Port and Storage Facilities, Shundong Port entered into a short-term lease agreement (the "**Short-term Lease Agreement**") with the present operator (the "**Present Operator**") on 18 May 2023, pursuant to which Shundong Port agreed to continue to lease the whole Port and Storage Facilities to the Present Operator up to 31 July 2023 at a monthly rent of RMB12.5 million. Upon the expiry of the Short-term Lease Agreement, the Company expects to re-possess and self-operate at least part of the Port and Storage Facilities. Leveraging on the ample experience of the Group's specialist team, and barring the unforeseen circumstances, the Company anticipates that the Port and Storage Facilities will continue to contribute significant income to the Group whether through leasing or self-operation.

LETTER FROM THE BOARD

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法), the key responsible officer of Shundong Port should obtain the Certificate of Qualification on Safety Production Knowledge and Management Capability (Key Responsible Officer)* (安全生產知識和管理能力考核合格證(主要負責人))(the “**Safety Certificate (RO)**”) issued by Ministry of Emergency Management of the PRC (中華人民共和國應急管理部) for the self-operation of certain gas tanks in the Group’s Port and Storage Facilities. In June 2023, the legal representative of Shundong Port has obtained the Safety Certificate (RO) in order to fulfill the regulatory requirement. In order to avoid the potential disruption of the self-operation of gas tanks in the Group’s Port and Storage Facility, the employment of the legal representative of Shundong Port is terminable by not less than 90 days’ notice in writing served by either of Shundong Port or its legal representative. The Company has also obtained an undertaking from the existing legal representative of Shundong Port, under which he undertook to the Company that he will remain in office until a safety certificate holding successor is appointed to take up his position of key responsible officer of Shundong Port. Therefore, Shundong Port shall have sufficient time to (i) recruit a suitable candidate who possesses all the necessary qualifications (including the Safety Certificate (RO)) from other port operating companies, which is expected to take approximately one month for the transfer of accreditation from one port operator to another; or (ii) promote its existing staff as a replacement of the existing legal representative, and allow the new legal representative to apply for the Safety Certificate (RO), which normally takes approximately three months. Further, since June 2023, the Group has been in negotiation with the Present Operator with the view to entering into a five-year contract in relation to the leasing of the Port and Storage Facilities (with the exception of 14 gas tanks (the “**Self-operated Gas Tanks**”) which are proposed to be re-possessed by the Group). Although the Present Operator is also prepared to take up the lease for the entire Port and Storage Facilities, it was the Group who insisted on the re-possession of 14 gas tanks out of 56 gas, refined oil and petrochemical tanks comprising the Port and Storage Facilities to maximize its profits, due to the Company’s confidence on being able to secure market rental through self-operation which is estimated to be slightly higher than the rental obtainable through leasing to the Present Operator. On 12 July 2023, Shundong Port entered into a new lease agreement (the “**New Lease Agreement**”) with the Present Operator whereby Shundong Port continued to lease the Port and Storage Facilities (with the exception of the Self-operated Gas Tanks) to the Present Operator for the term commencing from 1 August 2023 (i.e. the date immediately after the expiry of the Short-term Lease Agreement) and expiring on 31 July 2028. In addition, on the even date, Shundong Port and the Present Operator entered into an agreement (the “**Side Agreement**”) pursuant to which the Present Operator will be prepared to take up the operation of the Self-operated Gas Tanks, on a temporary and as-needed basis, on demand by Shundong Port (the “**Fall-back Undertaking**”). Shundong Port intends to call for the Present Operator’s assistance under the Fall-back Undertaking given by it, if and when there is any interruption of the own operating license of Shundong Port. Notwithstanding that the Board is of the view that the possibility of disruption of the self-operation of the Self-operated Gas Tanks as a result of the interruption of the own operating license of Shundong Port is remote, the entering into of the Side Agreement can further safeguard the interests of the Company against the potential risk arising from the self-operation of the Self-operated Gas Tanks.

LETTER FROM THE BOARD

Based on the latest estimation, the Company intends to set aside approximately HK\$5 million for the capital expenditure in preparation of the commencement of the self-operation of the Port and Storage Facilities, including the purchase of additional movable furniture and equipment in July or August 2023. In addition, by way of routine maintenance and business development of the Port and Storage Facilities, the Group is required to set aside at least HK\$100 million for the following purposes, regardless of whether the Port and Storage Facilities are to be leased or self-operated.

Purpose	Estimated cost	Expected timeline
1. the dredging of the sea routes	at least HK\$17 million	It is expected to be conducted in the second half of 2023.
2. the conducting of feasibility study and design works for the second phase expansion of the port facilities	at least HK\$11 million	It is expected to be conducted in the second half of 2023.
3. the acquisition of additional land and sea use right for the expansion plans	at least HK\$45 million	It is expected to be conducted in the second half of 2023 or the first half of 2024, subject to the approval of the local government and the bidding process of the land and sea use right to be acquired.
4. the settlement of outstanding construction costs	approximately HK\$27 million	It is expected that the outstanding construction costs will be fully paid by March 2024.

LETTER FROM THE BOARD

As disclosed in the Company's annual report for the year ended 31 March 2022 (the "**Annual Report 2021/22**") and interim report for the six months ended 30 September 2022 (the "**Interim Report 2022/23**"), (a) the Group's finance costs attributable to bank and other borrowings for the year ended 31 March 2022 and the six months ended 30 September 2022 amounted to approximately HK\$9,731,000 and approximately HK\$7,318,000, respectively; (b) the Group's bank borrowings repayable within one year and that contain a repayable-on-demand clause had carrying amounts as at 30 September 2022 of approximately HK\$90,923,000 ("**Bank Loan A**") and approximately HK\$151,539,000 ("**Bank Loan B**"), respectively; and (c) the Group's promissory note (the "**Promissory Note**"), which will be due in August 2023, had carrying amounts of approximately HK\$7,558,000 as at 30 September 2022. In March 2023, the Company approached the lender to consult the possibilities of renewing Bank Loan A, which would be due in April 2023, and/or applying for a new bank loan with similar terms of Bank Loan A but the Company's application was unable to be proceeded further due to inability to reach agreement on the terms of the loan. Subsequently, Bank Loan A was fully repaid by the Group in March 2023. While Bank Loan B, which was provided by the same lender as Bank Loan A, is only due for repayment in January 2025, the loan agreement contains a term under which the lender reserves the right to demand early repayment at any time before the loan maturity. At the time when the Group tried to negotiate the renewal of Bank Loan A in or around March 2023, the Group was given to understand that the lender would like to limit its credit risk exposure to the Group in respect of Bank Loan B before the original maturity date. Following amicable negotiation with the lender, in May to June 2023, the Group placed 3-month fixed deposits with the lender in an aggregate amount of RMB135 million, which substantially covers the outstanding principal amount of Bank Loan B. Such amounts were originally designated for the routine maintenance and business development of the Port and Storage Facilities as mentioned above. The Group was further given to understand that when the fixed deposits mature in August to September 2023, it should either extend the fixed deposit arrangements or apply to the lender for early repayment of Bank Loan B. Based on the previous negotiations with the lender, the Group was given to understand that its credit profile with the lender can be better preserved by applying for early repayment, rather than responding to the lender's demand notice for early repayment. Knowing the latest view of the lender on its credit policy, the Group considers that it is prudent to set aside sufficient money to prepare for also the full repayment of Bank Loan B. In any event, the repayment of Bank Loan B is expected to save interest costs for the Group in the amount of approximately HK\$7.5 million each year. As at 31 March 2023, the Group's cash and bank balances amounted to approximately HK\$83.1 million, which was not sufficient to settle the outstanding principal amount of the Promissory Note and Bank Loan B if early repayment is demanded by the lender. Taking into account (i) the existing cash level of the Group; (ii) the overall level of outstanding debts and liabilities of the Group; (iii) the expected maintenance fee of the Port and Storage Facilities (including the dredging of the sea routes); (iv) the expected capital required for the expansion plans of the Port and Storage Facilities; and (v) the working capital required to maintain the daily operation of the Group, the Board considers that the Group has an imminent need to arrange a sizeable fund raising exercise to prepare for the full repayment of Bank Loan B.

LETTER FROM THE BOARD

The Board has considered various fund raising methods including bank borrowing and equity fund-raising such as placement of Shares to independent third parties, rights issue, open offer and the Subscription. The Company has approached two banks to explore the possibility of applying for new loans. However, both banks have turned down the Group's application for new loan of meaningful loan size as the Group was unable to provide sufficient appropriate collaterals to fortify the loan applied for. In addition, debt financing would incur finance costs for the Company. As regards equity fund raising exercises, the Company has approached several securities brokerage firms about the possibility and feasibility of acting as placing agent and/or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3.0% to 5.0% based on the fund raising size, and a discount on the placing/subscription price (ranging from 20% for a general mandate placing to as high as 40% for rights issue or open offer) so as to increase the attractiveness of the equity fund raising exercise. In addition, any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the present Subscription. Having considered the restrictions of the alternative fund raising methods as discussed above, only the Subscriber expressed its willingness to subscribe for the Subscription Shares at a similar level to moderate discount to the prevailing market price. The Subscription enables the Company to raise a meaningful size of issue proceeds which matches its capital needs and to issue the Shares at a similar level to moderate discount to the prevailing market price and save the finance cost or commission which the Group would have otherwise needed to incur if other fund raising methods were to be adopted.

The gross proceeds and net proceeds (after deducting costs and expenses incidental to the Subscription and the Whitewash Waiver) to be raised from the Subscription are expected to be approximately HK\$149.8 million and approximately HK\$146.8 million, respectively. The net subscription price per Subscription Share is approximately HK\$0.408. The Board intends to apply the net proceeds from the Subscription in the following manner:

- (i) as to approximately HK\$5.2 million or approximately 3.6% of the net proceeds for the settlement of the principal amount and the accrued interest of the Promissory Note, which bears interest at a rate of 4.00% per annum and is due on 31 August 2023; and
- (ii) as to approximately HK\$141.6 million or approximately 96.4% of the net proceeds for the partial settlement of the Bank Loan B, which bears interest at a rate of 4.90% per annum, is secured by the entire investment properties of the Group and is due for repayment on 15 January 2025 (subject to the lender's right to demand early repayment at any time before the loan maturity).

LETTER FROM THE BOARD

As at 31 May 2023, the outstanding principal amount of the Bank Loan B amounted to approximately HK\$148.8 million. In the event that the lender of the Bank Loan B does not demand early repayment, it is the intention of the Company to apply to the lender for early repayment of the Bank Loan B for the reasons explained above. Under the terms of the loan agreement, the borrower has the right to apply to the lender for early repayment before the loan maturity. As explained above, the early repayment of Bank Loan B is beneficial to the Group as it can save finance cost, thereby improving the financial performance of the Group.

As at 31 March 2023, the Group's total assets and total liabilities amounted to approximately HK\$1,998.8 million and approximately HK\$825.7 million, respectively and the gearing ratio of the Group (computed by dividing total liabilities by total assets) was approximately 0.41. Upon Completion, the total assets of the Group would initially be enlarged by approximately HK\$146.8 million and upon the utilization of all the net proceeds from the Subscription of approximately HK\$146.8 million for repayment of the debts and liabilities of the Group, the total liabilities would be reduced by the same amount. Therefore, the gearing ratio of the Group is expected to be improved upon Completion.

Upon Completion, the aggregate shareholding interest of the existing public Shareholders will be diluted from approximately 70.10% to approximately 46.75%, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save and except for the Subscription). Notwithstanding the potential dilution effect which will arise from the Subscription, having considered that the Subscription enables the Company to raise a meaningful size of issue proceeds which matches its capital needs and save the finance cost or commission which the Group would have otherwise needed to incur if other fund raising methods were to be adopted, the Directors consider that the Subscription represents a straightforward and cost-effective means of financing for the Group.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save and except for the Subscription):

Shareholders	As at the Latest Practicable Date		Immediately after Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
The Subscriber (<i>Note 1</i>)	–	–	360,000,000	33.32
Giant Crystal (<i>Note 2</i>)	215,431,372	29.90	215,431,372	19.94
<i>Sub-total for the Subscriber and parties acting in concert with it</i>	215,431,372	29.90	575,431,372	53.25
Public Shareholders	505,131,518	70.10	505,131,518	46.75
Total	720,562,890	100.00	1,080,562,890	100.00

Notes:

1. The Subscriber is legally and beneficially owned as to 50% by Mr. Cao (an executive Director), 20% by Mr. Liu (an executive Director) and 30% by Mr. Hu.
2. Giant Crystal is a wholly-owned subsidiary of the Subscriber.
3. Any discrepancies in the table above between totals and sums of amounts set out in it are due to rounding.

LETTER FROM THE BOARD

EXPECTED TIMETABLE

Set out below is the expected timetable for the Subscription which is indicative only and has been prepared on the assumption that the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in separate announcement(s) by the Company as and when appropriate.

Event	Date
Dispatch date of this circular and notice of EGM	Friday, 28 July 2023
Register of members of the Company closed for the EGM (both days inclusive)	Tuesday, 15 August 2023 to Friday, 18 August 2023
Latest time for lodging forms of proxy for the purpose of the EGM	3:00 p.m. on Wednesday, 16 August 2023
EGM	3:00 p.m. on Friday, 18 August 2023
Announcement of results of EGM to be published on the website of the Stock Exchange	Friday, 18 August 2023
Completion Date	Thursday, 31 August 2023

Note: All references to time in this circular are references to Hong Kong time.

PROFIT ALERT ANNOUNCEMENTS AND PROFIT FORECAST

As disclosed in the Profit Alert Announcement (as supplemented by the Supplemental Profit Alert Announcement), based on the preliminary review on the unaudited management accounts of the Group and information currently available to the Board, the Group expects to record profit for the year within a range of HK\$117 million to HK\$127 million for the year ended 31 March 2023 (“**FY2023**”) (subject to further adjustments including those on non-cash items as explained in the Profit Alert Announcement), as compared to the profit for the year ended 31 March 2022 of approximately HK\$42 million, although the revenue of the Group is expected to decrease by approximately 30% (the “**Profit Alert**”).

LETTER FROM THE BOARD

The Profit Alert included in the Profit Alert Announcement (as supplemented by the Supplemental Profit Alert Announcement) constitutes a profit forecast under Rule 10 of the Takeovers Code and should therefore be reported on by the Company's financial adviser and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code. Except with the consent of the Executive, the Profit Alert which has been published first in an announcement must be examined, repeated and reported on in this circular in accordance with Rule 10.4 of the Takeovers Code. As the annual results announcement of the Company for FY2023 has been published and the financial results of the Group for FY2023, together with the notes to the financial statements, are included in this circular, the requirement to include the reports under Rule 10 of the Takeovers Code in this circular no longer applies.

IMPLICATIONS UNDER THE LISTING RULES AND TAKEOVERS CODE

As at the Latest Practicable Date, (a) Giant Crystal (a wholly-owned subsidiary of the Subscriber) is a substantial Shareholder holding 215,431,372 Shares, representing approximately 29.90% of the issued share capital of the Company; and (b) the Subscriber is legally and beneficially owned as to 50% by Mr. Cao, 20% by Mr. Liu and 30% by Mr. Hu. As Mr. Cao and Mr. Liu are executive Directors, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Subscriber and parties acting or presumed to be acting in concert with it were, in aggregate, interested in 215,431,372 Shares, representing approximately 29.90% of the issued share capital of the Company. Upon Completion, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save and except for the Subscription), the Subscriber and parties acting or presumed to be acting in concert with it will be interested in 575,431,372 Shares, representing approximately 53.25% of the issued share capital of the Company as enlarged by the Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and parties acting or presumed to be acting in concert with it will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting or presumed to be acting in concert with it) in the absence of the Whitewash Waiver.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement. The Executive has indicated that the Whitewash Waiver will be granted subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM to be held for such purposes; and (ii) the approval of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the Specific Mandate by more than 50% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM to be held for such purposes.

LETTER FROM THE BOARD

If the Whitewash Waiver is approved by the Independent Shareholders, the Subscriber and parties acting or presumed to be acting in concert with it will hold more than 50% of the voting rights of the Company, and they may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Paragraph 3 of Schedule VI of the Takeovers Code provides that the Executive will normally not grant a whitewash waiver if there occurs any disqualifying transaction for such waiver. Disqualifying transactions include, among others, a situation where the person seeking a whitewash waiver or any person acting in concert with it has acquired voting rights in a company in the six months immediately prior to the announcement of the proposal but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of such company in relation to the proposal. The Company has received a confirmation from the Subscriber confirming that the Subscriber and parties acting or presumed to be acting in concert with it have not dealt in the Shares during the six-month period prior to and including the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Subscription.

As at the Latest Practicable Date, the Company did not believe that the Subscription (including the allotment and issue of the Subscription Shares) would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the allotment and issue of the Subscription Shares) does not comply with other applicable rules and regulations.

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or if granted, is not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

INTENTION OF THE SUBSCRIBER

At present, by virtue of the 29.90% shareholding held by Giant Crystal, the Subscriber is a substantial shareholder of the Company. Upon Completion, the Subscriber will become a controlling shareholder (as defined in the Listing Rules) and the single largest shareholder of the Company. The Subscriber intends to: (i) maintain the listing of the Shares on the Main Board of the Stock Exchange; and (ii) continue to operate the existing businesses of the Group but will regularly review its operations and business activities and may explore other opportunities available to the Company. However, at present, no definitive plan or timing has been determined by the Subscriber for implementing any drastic changes to the Group's business strategies. The Subscriber has no intention to terminate any existing business segments of the Group, or to terminate the continued employment of the employees of the Group on a large scale (save for normal hire and fire decisions necessary for daily operations), or to re-deploy or dispose of the assets or business of the Group other than in its ordinary and usual course of business.

LETTER FROM THE BOARD

Save for the entering into of the Subscription Agreement, neither the Subscriber nor any of parties acting or presumed to be acting in concert with it has acquired or disposed of any voting rights of the Company or has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date. The Subscriber and parties acting or presumed to be acting in concert with it will not acquire or dispose of any voting rights of the Company after the Latest Practicable Date until Completion.

EGM

The EGM will be held at Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 18 August 2023 at 3:00 p.m. for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited (the "**Registrar**"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 14 August 2023.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. by 3:00 p.m. on Wednesday, 16 August 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore the chairman of the meeting will demand a poll on the resolutions regarding the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver at the EGM. An announcement will be made by the Company on the poll results of the EGM.

LETTER FROM THE BOARD

In accordance with the Listing Rules and the Takeovers Code, only the Independent Shareholders will be eligible to vote on the relevant resolutions relating to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver. The Subscriber and parties acting or presumed to be acting in concert with it (including Giant Crystal, Mr. Cao, Mr. Liu and Mr. Hu) and any Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver are required to abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, the Subscriber and parties acting or presumed to be acting in concert with it were, in aggregate, interested in 215,431,372 Shares, representing approximately 29.90% of the issued share capital of the Company. Save as disclosed above, there are no other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver or are required, or indicated to the Company of his/her/its intention, to abstain from voting in the relevant resolutions at the EGM.

Furthermore, as Mr. Cao and Mr. Liu were considered to have a material interest in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver, they had abstained from voting on the Board resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Takeovers Code and the Listing Rules, the Independent Board Committee, comprising Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan (being all of the independent non-executive Directors), was established by the Company to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. All the independent non-executive Directors comprising the Independent Board Committee have no direct or indirect interest or involvement in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver, and are considered appropriate for joining as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendation as to voting.

LETTER FROM THE BOARD

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendation on voting.

The recommendation of the Independent Board Committee is set out on pages 25 to 26 in this circular and the letter from the Independent Financial Adviser is set out on pages 27 to 64 in this circular.

WARNING

The Subscription Agreement and the transactions contemplated thereunder (including the Subscription) are subject to the fulfilment of the Conditions which are set out in the paragraph headed “The Subscription Agreement – Conditions” in this circular. Therefore, the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

ADDITIONAL INFORMATION

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions relating to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver to be proposed at the EGM.

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice convening the EGM.

Yours faithfully
By order of the Board
Energy International Investments Holdings Limited
Chan Wai Cheung Admiral
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED

能源國際投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

28 July 2023

To the Independent Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE;
AND
(II) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of Energy International Investments Holdings Limited (the “**Company**”) dated 28 July 2023 (the “**Circular**”) to the shareholders of the Company, of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and make recommendation as to voting.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 7 to 24 and pages 27 to 64 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the background of and reasons for the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver and the advice of the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Tang Qingbin

*Independent non-executive
Director*

Mr. Wang Jinghua

*Independent non-executive
Director*

Mr. Fung Nam Shan

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver which has been prepared for the purpose of inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

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Hong Kong

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28 July 2023

*To: The independent board of committee and the independent shareholders of
Energy International Investments Holdings Limited*

(I) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 28 July 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 April 2023 (after trading hours), the Company (as issuer) and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 360,000,000 new Shares at the Subscription Price of HK\$0.416 per Subscription Share for a total consideration of approximately HK\$149.8 million in cash. On 21 June 2023, the Company and the Subscriber entered into the Supplemental Agreement to extend the Long Stop Date from 31 July 2023 to 31 August 2023 (or such later date as may be agreed in writing between the Company and the Subscriber).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, as at the Latest Practicable Date, (a) Giant Crystal (a wholly-owned subsidiary of the Subscriber) was a substantial Shareholder holding 215,431,372 Shares, representing approximately 29.9% of the issued share capital of the Company; and (b) the Subscriber is legally and beneficially owned as to 50% by Mr. Cao, 20% by Mr. Liu and 30% by Mr. Hu. As Mr. Cao and Mr. Liu are executive Directors, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Subscriber and parties acting or presumed to be acting in concert with it were, in aggregate, interested in 215,431,372 Shares, representing approximately 29.9% of the issued share capital of the Company. Upon the Completion, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save and except for the Subscription), the Subscriber and parties acting or presumed to be acting in concert with it will be interested in 575,431,372 Shares, representing approximately 53.25% of the issued share capital of the Company as enlarged by the Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and parties acting or presumed to be acting in concert with it will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting or presumed to be acting in concert with it) in the absence of the Whitewash Waiver.

As further mentioned in the Letter from the Board, the Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM to be held for such purposes; and (ii) the approval of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the Specific Mandate by more than 50% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM to be held for such purposes.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising three independent non-executive Directors, namely Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan, has been established to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and making recommendation as to voting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We did not have any business relationship with or interest in the Company that could reasonably be regarded as relevant in assessing our independence as at the Latest Practicable Date. Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. We are not in the same group as the financial or other professional adviser to the Company, the Subscriber, their respective substantial shareholders, and/or parties acting in concert with any of them. We do not have a significant connection, financial or otherwise, with either the Subscriber/the Company or the controlling shareholders of either of them, within the two years prior to the date of the Announcement, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice under the Takeovers Code. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In order to formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have reviewed, among other things, (i) the Subscription Agreement and the Supplemental Agreement; (ii) the results announcement of the Company for the year ended 31 March 2023 (the “**Results Announcement 2022/23**”); and (iii) the annual report of the Company for the year ended 31 March 2022 (the “**Annual Report 2021/22**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

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However, we have not, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions as contemplated under the Subscription Agreement (including the Subscription), the grant of the Specific Mandate and the Whitewash Waiver, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into consideration the following principal factors and reasons in arriving at our opinion in respect of the Subscription and the Whitewash Waiver:

1. Information of the Group

As set out in the Letter from the Board, the Company is an investment holding company and the principal activities of the Company's subsidiaries include oil and liquefied chemical terminal (together with its storage and logistics facilities) and the provision of agency services and trading of oil and liquefied chemical products in the PRC, and insurance brokerage service in Hong Kong.

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Set out below is a summary of the Group's operating results extracted from the Results Announcement 2022/23; and (ii) the Annual Report 2021/22:

Summary of the Group's audited consolidated statement of comprehensive income

	For the year ended 31 March 2023 HK\$'000	For the year ended 31 March 2022 HK\$'000	For the fifteen months ended 31 March 2021 HK\$'000
Revenue	366,770	520,579	193,148
Cost of sales and services rendered	(204,489)	(355,566)	(3,164)
Gross profit	162,281	165,013	189,984
Profit before income tax	153,152	73,779	95,582
Profit for the year attributable to owners of the Company	89,308	12,762	6,726
Profit for the year attributable to non-controlling interests	36,955	29,174	52,133

Financial performance for the year ended 31 March 2023

As set out in the Results Announcement 2022/23, for the year ended 31 March 2023, the Group recorded revenue of approximately HK\$366.8 million, representing a decrease of approximately 29.5% as compared to approximately HK\$520.6 million recorded for the year ended 31 March 2022. Such decrease was mainly due to the decrease in provision of agency services and trading of oil and liquefied chemical products of approximately HK\$155.0 million. Gross profit amounted to approximately HK\$165.0 million and HK\$162.3 million for the 31 March 2022 and 2023, respectively.

Based on the Results Announcement 2022/23, for the year ended 31 March 2023, the Group recorded a profit attributable to owners of the Company of approximately HK\$89.3 million as compared to a profit attributable to owners of the Company of approximately HK\$12.8 million for the year ended 31 March 2022, mainly attributable to (i) the one-off net gain on the derecognition of financial assets and liabilities of approximately HK\$63.0 million arose from the settlement proposal of the litigation in relation to the acquisition (through an intermediate holding company) of 28% effective interest of Tai'an Wanyue Real Estate Company Limited, which is engaged in a real estate property project situated at Daiyue District, Tai'an City, Shandong Province, the PRC (the "Acquisition"), details of which are set out in the announcements of the Company dated 24 June 2022, 17 June 2022 and 21 October 2019).

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Financial performance for the year ended 31 March 2022

As set out in the Annual Report 2021/22, for the year ended 31 March 2022, the Group recorded revenue of approximately HK\$520.6 million, representing an increase of approximately 169.5% as compared to approximately HK\$193.1 million recorded for the fifteen months ended 31 March 2021. Such increase was mainly due to the increase in revenue derived from oil and liquefied chemical terminal business. Gross profit amounted to approximately HK\$190.0 million and HK\$165.0 million for the fifteen months ended 31 March 2021 and for the year ended 31 March 2022, respectively.

Based on the Annual Report 2021/22, for the year ended 31 March 2022, the Group recorded a profit attributable to owners of the Company of approximately HK\$12.8 million, mainly attributable to the profit generated from the oil and liquefied chemical terminal business as a stable income source to the Group, as compared to a profit attributable to owners of the Company of approximately HK\$6.7 million for the fifteen months ended 31 March 2021.

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Summary of the Group's audited consolidated statement of financial position

	As at 31 March		
	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	1,572,184	1,983,897	1,832,565
– Investment properties	1,565,499	1,666,170	1,574,454
– Equity instruments at fair value through other comprehensive income	–	203,890	222,412
– Deposits and other receivables	–	104,279	27,134
Current assets	426,617	365,373	431,568
– Trade and bills receivables	190,338	156,869	15,981
– Prepayments, deposits and other receivables	140,250	126,778	176,529
– Financial assets at fair value through profit or loss	12,937	20,712	13,166
– Loan receivables	–	3,099	209,844
– Cash and bank balances	83,092	57,915	13,680
Current liabilities	219,185	500,724	342,254
– Trade and other payables	54,764	76,503	159,470
– Bank borrowings	154,265	276,461	155,079
– Other borrowings	–	1,828	12,317
– Promissory notes	5,138	137,269	12,279
Non-current liabilities	606,477	608,678	756,550
– Amounts due to non-controlling shareholders	–	–	120,541
– Bank borrowings	20,569	22,216	21,308
– Other borrowings	10,652	10,652	10,652
– Preferred shares	378,234	387,539	333,832
– Promissory notes	–	–	117,123
– Deferred tax liabilities	194,889	181,494	146,989
Total equity attributable to owners of the Company	869,114	901,948	864,797

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above

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Financial position as at 31 March 2023

As at 31 March 2023, the Group's total assets amounted to approximately HK\$1,998.8 million, representing a decrease of approximately 14.9% as compared to approximately HK\$2,349.3 million as at 31 March 2022, which mainly comprised (i) investment properties of approximately HK\$1,565.5 million as compared to approximately HK\$1,666.2 million as at 31 March 2022, mainly attributable to the depreciation of RMB against HK\$ during the year ended 31 March 2022; (ii) prepayments, deposits and other receivables of approximately HK\$140.3 million as compared to approximately HK\$126.8 million as at 31 March 2022; (iii) trade and bills receivables of approximately HK\$190.3 million as compared to approximately HK\$156.9 million as at 31 March 2022; (iv) cash and bank balances of approximately HK\$83.1 million as compared to approximately HK\$57.9 million as at 31 March 2022; and (v) financial assets at fair value through profit or loss of approximately HK\$12.9 million as compared to approximately HK\$20.7 million as at 31 March 2022.

As at 31 March 2023, the Group's total liabilities amounted to approximately HK\$825.7 million, as compared to approximately HK\$1,109.4 million as at 31 March 2022, which comprised (i) preferred shares of approximately HK\$378.2 million as compared to approximately HK\$387.5 million as at 31 March 2022; (ii) bank borrowings (current portion) of approximately HK\$154.3 million as compared to approximately HK\$276.5 million as at 31 March 2022; (iii) deferred tax liabilities of approximately HK\$194.9 million as compared to approximately HK\$181.5 million as at 31 March 2022; (iv) trade and other payables of approximately HK\$54.8 million as compared to approximately HK\$76.5 million as at 31 March 2022; (v) bank borrowings (non-current portion) of approximately HK\$20.6 million as compared to approximately HK\$22.2 million as at 31 March 2022; (vi) other borrowings (non-current portion) of approximately HK\$10.7 million as compared to approximately HK\$10.7 million as at 31 March 2022; and (vii) promissory notes (current portion) of approximately HK\$5.1 million as compared to approximately HK\$137.3 million as at 31 March 2022, mainly attributable to the cancellation of promissory notes in the aggregate face value of approximately RMB110.5 million in relation to the Acquisition, details of which are set out in the announcements of the Company dated 17 June 2022 and 21 October 2019.

As at 31 March 2023, total equity attributable to owners of the Company amounted to approximately HK\$869.1 million, as compared to approximately HK\$901.9 million at 31 March 2022.

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Financial position as at 31 March 2022

As at 31 March 2022, the Group's total assets amounted to approximately HK\$2,349.3 million, representing an increase of approximately 3.8% as compared to approximately HK\$2,264.1 million as at 31 March 2021, which mainly comprised (i) investment properties of approximately HK\$1,666.2 million as compared to approximately HK\$1,574.5 million as at 31 March 2021; (ii) equity instruments at fair value through other comprehensive income of approximately HK\$203.9 million as compared to approximately HK\$222.4 million as at 31 March 2021; (iii) trade and bills receivables of approximately HK\$156.9 million as compared to approximately HK\$16.0 million as at 31 March 2021; (iv) prepayments, deposits and other receivables of approximately HK\$126.8 million as compared to approximately HK\$176.5 million as at 31 March 2021; (v) deposits and other receivables of approximately HK\$104.3 million as compared to approximately HK\$27.1 million as at 31 March 2021; (vi) cash and bank balances of approximately HK\$57.9 million as compared to approximately HK\$13.7 million as at 31 March 2021; and (vii) financial assets at fair value through profit or loss of approximately HK\$20.7 million as compared to approximately HK\$13.2 million as at 31 March 2021.

As at 31 March 2022, the Group's total liabilities amounted to approximately HK\$1,109.4 million, as compared to approximately HK\$1,098.8 million as at 31 March 2021, which comprised (i) preferred shares of approximately HK\$387.5 million as compared to approximately HK\$333.8 million as at 31 March 2021; (ii) bank borrowings (current portion) of approximately HK\$276.5 million as compared to approximately HK\$155.1 million as at 31 March 2021; (iii) deferred tax liabilities of approximately HK\$181.5 million as compared to approximately HK\$147.0 million as at 31 March 2021; (iv) promissory notes (current portion) remained at approximately HK\$137.3 million as compared to approximately HK\$12.3 million as at 31 March 2021; (v) trade and other payables of approximately HK\$76.5 million as compared to approximately HK\$159.5 million as at 31 March 2021; (vi) bank borrowings (non-current portion) of approximately HK\$22.2 million as compared to approximately HK\$21.3 million as at 31 March 2021; and (vii) other borrowings (non-current portion) of approximately HK\$10.7 million as compared to approximately HK\$10.7 million as at 31 March 2021.

As at 31 March 2022, total equity attributable to owners of the Company amounted to approximately HK\$901.9 million, as compared to approximately HK\$864.8 million at 31 March 2021.

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2. Information on the Subscriber

With reference to the Letter from the Board, the Subscriber is a company incorporated in the British Virgin Islands with limited liability whose principal activity is investment holding. As at the Latest Practicable Date, (a) Giant Crystal, a wholly-owned subsidiary of the Subscriber, is principally engaged in investment holding and is a substantial Shareholder holding 215,431,372 Shares, representing approximately 29.9% of the issued share capital of the Company; (b) the Subscriber is legally and beneficially owned as to 50% by Mr. Cao, 20% by Mr. Liu and 30% by Mr. Hu; and (c) the directors of the Subscriber are Mr. Cao and Mr. Liu. As Mr. Cao and Mr. Liu are executive Directors, the Subscriber is a connected person of the Company.

As communicated with the Management, it is understood that (i) Mr. Cao has many years of management experience in China in the industries of vessel and offshore platform engineering and business consultancy, including worked for a privately owned enterprise in Qingdao City, Shandong Province engaged in ship engineering related business (mainly including vessel repairing and outfitting services, and port and waterway engineering work) for over 17 years, of which he acted as the general manager for approximately 13 years, (ii) Mr. Liu has extensive financial and management experiences in government authorities, and used to play managerial roles in privately owned enterprises mainly engaged in business related to water treatment equipment, environmental protection facilities, ship parts and construction materials in Dongying City since September 2012, and being a director of Shundong Port (a non-wholly owned subsidiary of the Company principally engaged in oil and liquefied chemical terminal business and the provision of agency services and trading of oil and liquefied chemical products in the PRC of the Group), and (iii) Mr. Hu acquired rich management experience by managing and developing different business in the past years, including acted as general manager and financial manager for energy and chemical companies. As at the Latest Practicable Date, Mr. Hu acts as supervisor for a technology company based in Shanghai and executive director and general manager for an information technology company based in Shenzhen. The above expertise in the industry and management and operation of business of the subscribers considered to be valuable to the future development of the Group.

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3. Background information on the port industry in Shandong

With reference to the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>) and the PRC First Quarter 2023 Gross Domestic Product Preliminary Results* (2023年一季度國內生產總值初步核算結果)¹, the PRC recorded year-on-year growth in gross domestic product (“GDP”) in 2022 of approximately 3.0% and based on preliminary published figures, for the three months ended 31 March 2023, the PRC recorded GDP period-on-period growth of approximately 4.5% compared to the three months ended 31 March 2022, demonstrating the recovery of the economy of China at the beginning of 2023.

According to “The Fourteenth Five-Year Plan for the National Economic and Social Development of the People’s Republic of Shandong Province and the Outline of Long-Term Goals for 2035”* (《山東省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)², announced by the People’s Government of Shandong Province in February 2021 (“**Shandong Long-Term Goals for 2035**”), focuses of the government of Shandong Province include (i) construction of a world-class marine port* (建設世界一流的海洋港口) through, among others, upgrading modern port function, creating international shipping services business and bulk commodity storage and transportation, trading and processing base, which involves upgrade of significant port infrastructure, including construction of various terminals and berth in Dongying City, and ports and shipping utilities and common facilities, such as construction of shipping channels in Dongying with 100,000 tonnage capacity; and (ii) setting up green and efficient energy system* (構建綠色高效能源體系) through, among others, accelerating the construction of natural gas infrastructure, which involves optimized overall planning the construction of liquefied petroleum gas receiving terminals along coastal area of Dongying City.

Bases on the above, it is expected that the development of the port related infrastructures and services will continue to be influenced by changes in government policies at a national and regional level which is intended to promote sustainable and healthy long-term development, the then prevailing market environment as well as the overall economic development of the PRC and region.

¹ PRC 2023 First Quarter Gross Domestic Product Preliminary Results* 2023年一季度國內生產總值初步核算結果 http://www.stats.gov.cn/sj/zxfb/202304/t20230419_1938791.html

² The Fourteenth Five-Year Plan for the National Economic and Social Development of the People’s Republic of Shandong Province and the Outline of Long-Term Goals for 2035 *山東省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要 www.shandong.gov.cn/art/2021/4/25/art_107851_111958.html

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4. Reasons for and benefits of the Subscription and use of proceeds

With reference to the Letter from the Board, the gross proceeds and net proceeds (after deducting costs and expenses incidental to the Subscription and the Whitewash Waiver) to be raised from the Subscription are expected to be approximately HK\$149.8 million and approximately HK\$146.8 million, respectively. The net subscription price per Subscription Share is approximately HK\$0.408. The Board intends to apply the net proceeds from the Subscription to repay the Promissory Note and Bank Loan B, details of which are more particularly set out in the paragraph headed “3. Statement of Indebtedness” in Appendix I to the Circular. Please refer to the paragraph headed “Reasons for the subscription and use of proceeds” in the Letter from the Board for further details of the use of net proceeds from the Subscription.

As set out in the Letter from the Board, the lease agreement of the Port and Storage Facilities owned by the Shundong Port was expired in May 2023. As affected by the lockdown measures and COVID-19, the recruitment and training of the Group’s own specialist team was delayed in 2022, as a result of which the Group has not yet obtained all necessary licenses for the self-operation of part of the Port and Storage Facilities before the expiry of the then existing lease agreement (i.e. 19 May 2023). To ensure the uninterrupted services of the end customers of the Port and Storage Facilities, Shundong Port entered into a short-term lease agreement (the “**Short-term Lease Agreement**”) with the present operator (the “**Present Operator**”) on 18 May 2023, pursuant to which Shundong Port agreed to continue to lease the whole Port and Storage Facilities to the present operator up to 31 July 2023 at a monthly rent of RMB12.5 million. Upon the expiry of the Short-term Lease Agreement, the Company expects to re-possess and self-operate at least part of the Port and Storage Facilities. Leveraging on the ample experience of the Group’s specialist team, and barring the unforeseen circumstances, the Company anticipates that the Port and Storage Facilities will continue to contribute significant income to the Group whether through leasing or self-operation.

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Besides, as set out in the Letter from the Board, pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法), the key responsible officer of Shundong Port should obtain the Certificate of Qualification on Safety Production Knowledge and Management Capability (Key Responsible Officer)* (安全生產知識和管理能力考核合格證(主要負責人))(the “**Safety Certificate (RO)**”) issued by Ministry of Emergency Management of the PRC (中華人民共和國應急管理部) for the self-operation of certain gas tanks in the Group’s Port and Storage Facilities. In June 2023, the legal representative of Shundong Port has obtained the Safety Certificate (RO) in order to fulfill the regulatory requirement. In order to avoid the potential disruption of the self-operation of gas tanks in the Group’s Port and Storage Facility, the employment of the legal representative of Shundong Port is terminable by not less than 90 days’ notice in writing served by either of Shundong Port or its legal representative. The Company has also obtained an undertaking from the existing legal representative of Shundong Port, under which he undertook to the Company that he will remain in office until a safety certificate holding successor is appointed to take up his position of key responsible officer of Shundong Port. Therefore, Shundong Port shall have sufficient time to (i) recruit a suitable candidate who possesses all the necessary qualifications (including the Safety Certificate (RO)) from other port operating companies, which is expected to take approximately one month for the transfer of accreditation from one port operator to another; or (ii) promote its existing staff as a replacement of the existing legal representative, and allow the new legal representative to apply for the Safety Certificate (RO), which normally takes approximately three months. Further, since June 2023, the Group has been in negotiation with the Present Operator with the view to entering into a five-year contract in relation to the leasing of the Port and Storage Facilities (with the exception of 14 gas tanks (the “**Self-operated Gas Tanks**”) which are proposed to be re-possessed by the Group). Although the Present Operator is also prepared to take up the lease for the entire Port and Storage Facilities, it was the Group who insisted on the re-possession of 14 gas tanks out of 56 gas, refined oil and petrochemical tanks comprising the Port and Storage Facilities to maximize its profits, due to the Company’s confidence on being able to secure market rental through self-operation which is estimated to be slightly higher than the rental obtainable through leasing to the Present Operator. On 12 July 2023, Shundong Port entered into a new lease agreement (the “**New Lease Agreement**”) with the Present Operator whereby Shundong Port continued to lease the Port and Storage Facilities (with the exception of the Self-operated Gas Tanks) to the Present Operator for the term commencing from 1 August 2023 (i.e. the date immediately after the expiry of the Short-term Lease Agreement) and expiring on 31 July 2028. In addition, on the even date, Shundong Port and the Present Operator entered into an agreement (the “**Side Agreement**”) pursuant to which the Present Operator will be prepared to take up the operation of the Self-operated Gas Tanks, through which Shundong Port will be entitled to 50% of the fee payable by the customers and the Present Operator will be entitled to the other 50%, on a temporary and as-needed basis, on demand by Shundong Port, during the effective period of the New Lease Agreement (the “**Fall-back Undertaking**”). Shundong Port intends to call for the Present Operator’s assistance under the Fall-back Undertaking given by it, if and when there is any interruption of the own operating license of Shundong Port. Notwithstanding that the Board is of the view that the possibility of disruption of the self-operation of the Self-operated Gas Tanks as a result of the interruption of the own operating license of Shundong Port is remote, the entering into of the Side Agreement can further safeguard the interests of the Company against the potential risk arising from the self-operation of the Self-operated Gas Tanks.

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As set out in the Letter from the Board, based on the latest estimation, the Company intends to (i) set aside approximately HK\$5 million for the capital expenditure in preparation of the commencement of the self-operation of the Port and Storage Facilities, including the purchase of additional movable furniture and equipment in July or August 2023; and (ii) by way of routine maintenance and business development of the Port and Storage Facilities, the Group is required to set aside at least HK\$100 million for the following purposes: (a) at least HK\$17 million for the dredging of the sea routes; (b) at least HK\$11 million for the conducting of feasibility study and design works for the second phase expansion of the port facilities; (c) at least HK\$45 million for the acquisition of additional land and sea use right for the expansion plans; and (d) approximately HK\$27 million for the settlement of outstanding construction costs, regardless of whether the Port and Storage Facilities are to be leased or self-operated (together (i) and (ii), the “**Port and Storage Facilities Funding Needs**”).

In this connection, based on the Letter from the Board and after reviewing the relevant schedule provided by the Company and discussion with the Management, we note that (i) approximately HK\$5 million for the capital expenditure in preparation of the commencement of the self-operation of the Port and Storage Facilities, including the purchase of additional movable furniture and equipment in July or August 2023, such as loading and unloading arms and emergency release device for the operation of the Port and Storage Facilities; (ii) at least HK\$17 million for the dredging of the sea routes to be conducted in the second half of 2023 for routine maintenance of the existing waterway, which involve costs associated with the arrangement and coordination of onshore and/or marine works, the relevant safety measures, and the site management; (iii) at least approximately HK\$11 million for the conducting of feasibility study and design works for the second phase expansion of the port facilities in relation to refined oil storage tank, which involve appointment of external professional expert in relation to the preparation of relevant report expected to be conducted in the second half of 2023; (iv) at least approximately HK\$45 million for the acquisition of additional land and sea use right in Dongying Port Economic Development Area for the second phase expansion of the port facilities, which is expected to be conducted in the second half of 2023 or the first half of 2024, subject to the approval of the local government and the bidding process of the land and sea use right to be acquired, which could match with the future business development of the Group’s oil and liquefied chemical terminal business; and (v) approximately HK\$27 million for the settlement of outstanding construction costs expected to be fully paid by March 2024, regardless of whether the Port and Storage Facilities are to be leased or self-operated, which include certain works such as land formation works, tank farm works and other ancillary works.

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On this basis, it is not uncommon for the Group to experience timing differences between (i) the Group incurs and settles the Port and Storage Facilities Funding Needs, most of them are expected to be settled within 12 months from the Latest Practicable Date as mentioned above; and (ii) the Group receives the payment(s) from the relevant revenue derived. As at 31 March 2023, the Group recorded (i) cash and bank balances of approximately HK\$83.1 million; (ii) bank borrowings of approximately HK\$174.8 million; and (iii) other borrowings of approximately HK\$10.7 million, which represents, for illustrative purposes only, a negative net cash position of approximately HK\$102.4 million. Furthermore, the Group is required to maintain sufficient working capital to ensure the settlement of the Port and Storage Facilities Funding Needs. In this connection, it is justifiable to replenish working capital of the Group with a view to enhance the Group's ability to satisfy the Port and Storage Facilities Funding Needs.

In addition, as set out in the Letter from the Board, after the failure of renewing Bank Loan A with a carrying amounts of approximately HK\$90.9 million as at 30 September 2022 and/or applying for a new bank loan with similar terms of Bank Loan A due to inability to reach agreement on the terms of the loan with the relevant lender (the “**Lender**”), Bank Loan A was fully repaid in March 2023, which is earlier than its expiry in April 2023, under the repayable-on-demand clause. On the other hand, Bank Loan B, with a carrying amount of approximately HK\$154.3 million as at 31 March 2023 and approximately HK\$148.8 million as at 31 May 2023 and due for repayment in January 2025 (the Lender reserves the right to demand early repayment at any time before the loan maturity), was provided by the same lender as Bank Loan A. At the time when the Group tried to negotiate the renewal of Bank Loan A in or around March 2023, the Group was given to understand that the Lender would like to limit its credit risk exposure to the Group in respect of Bank Loan B before the original maturity date. Following amicable negotiation with the Lender, in May to June 2023, the Group placed 3-month fixed deposits with the Lender in an aggregate amount of RMB135 million, which substantially covers the outstanding principal amount of Bank Loan B. Such amounts were originally designated for the routine maintenance and business development of the Port and Storage Facilities as mentioned above. The Group was further given to understand that when the fixed deposits mature in August to September 2023, it should either extend the fixed deposit arrangements or apply to the Lender for early repayment of Bank Loan B. Based on the previous negotiations with the Lender, the Group was given to understand that its credit profile with the Lender can be better preserved by applying for early repayment, rather than responding to the Lender's demand notice for early repayment. Knowing the latest view of the Lender on its credit policy, the Group considers that it is prudent to set aside sufficient money to prepare for the full repayment of Bank Loan B, which also include the repayable-on-demand clause as Bank Loan A. In addition, the Promissory Note with a carrying amounts of approximately HK\$5.1 million as at 31 March 2023 and approximately HK\$5.2 million as at 31 May 2023 will be due in August 2023. Comparing with the Group's cash and bank balances of approximately HK\$83.1 million as at 31 March 2023, cash and bank balances on hand was not sufficient to settle the outstanding principal amounts of the Promissory Note and Bank Loan B if early repayment is demanded by the Lender.

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In this connection, we understand from the Management that, during the discussion of renewal of Bank Loan A, which was fully repaid in March 2023 as request by the Lender earlier than its expiry under the repayable-on-demand clause, the Lender had considered various factors, including the depressed economy, and thus requested stricter conditions, including but not limited to collateral and interest rate. Thus, the Directors are of the view, and we concur, that the possibility that a request of early repayment of Bank Loan B by the Lender and failure of renewal of Bank Loan B cannot be ruled out with reference to the discussion between the Management and the Lender regarding the renewal of Bank Loan A, and therefore set aside sufficient money to prepare for also the full repayment of Bank Loan B is necessary.

Moreover, after review the relevant schedule provided from the Company and the discussion with the Management, we noted that, among the net proceeds from Subscription of approximately HK\$146.8 million, (i) approximately HK\$5.2 million or 3.6% of the net proceeds for the fully settlement of the principal amount and the accrued interest of the Promissory Note, which bears interest at a rate of 4.0% per annum and is due on 31 August 2023; and (ii) approximately HK\$141.6 million or 96.4% of the net proceeds for the partial settlement of the Bank Loan B, while the balance of the outstanding amount of Bank Loan B will be settled by internal resources of the Group. Bank Loan B, with outstanding principal amount of approximately HK\$153.3 million, bears interest at a rate of 4.9% per annum, is due for repayment on 15 January 2025 (subject to the Lender's right to demand early repayment at any time before the loan maturity). The Group was given to understand that, when the 3-month fixed deposits with an aggregate amount of RMB135 million (which was made in May to June 2023 due to the change in the Lender's risk appetite, and result in an adjustment in credit risk exposure to the Group) mature in August to September 2023, it should either apply to the Lender for early repayment of Bank Loan B or extend such fixed deposit arrangements. Besides, in the event that the Lender does not demand early repayment, it is the intention of the Company to apply to the Lender for early repayment of the Bank Loan B for the reasons explained above. As set out in the Letter from the Board, the early repayment of Bank Loan B is beneficial to the Group as it can save finance cost, thereby improving the financial performance of the Group.

In relation to other financing alternatives, as set out in the Letter from the Board, the Board has considered various fund-raising methods including bank borrowing and equity fund-raising such as placement of Shares to independent third parties, rights issue, open offer and the Subscription.

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For bank borrowing, with reference to the Letter from the Board and our discussion with the Management, we noted that the Company has approached two banks to explore the possibility of applying for new loans of meaningful loan size. We noted from the Results Announcement 2022/23 and the discussion with the Management that, as at 31 March 2023 and 31 March 2022, the only properties of the Group with meaningful size are the oil and liquefied chemical terminal located in Shandong Province, the PRC, had already been pledged to secure the Group's bank borrowings. In addition, bank borrowings, even if available, will carry additional interest costs and create pressure to the liquidity of the Company, in particular, as the Federal Reserve of the U.S. government has been and is expected to continue to raise its benchmark interest rate further in the foreseeable future in 2023, which the base interest rate set by the Hong Kong Monetary Authority is also expected to move in the similar direction.

As for equity fund raising exercise, with reference to the Letter from the Board and our discussion with the Management, we noted that the Company has approached securities brokerage firms about the possibility and feasibility of acting as placing agent and/or underwriter of the Company and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3.0% to 5.0% based on the fund raising size, and a discount on the placing/subscription price (ranging from 20% for a general mandate placing to as high as 40% for rights issue or open offer) so as to increase the attractiveness of the equity fund raising exercise. In addition, any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the present Subscription. The Board is of the view and we concur, that the disadvantages and/or uncertainties associated with the abovementioned equity fund raising exercises (i.e. in terms of the timing for negotiation, duration, costs, and the amount to be raised, etc.) compared to fund raising through a subscription make it a less preferable option for the Group's fund raising exercise.

Furthermore, as set out in the Letter from the Board, by virtue of the 29.9% shareholding held by Giant Crystal, the Subscriber is a substantial shareholder of the Company. Upon the Completion, the Subscriber will become a controlling shareholder (as defined in the Listing Rules) and the single largest shareholder of the Company. The Subscriber intends to (i) maintain the listing of the Shares on the Main Board of the Stock Exchange; (ii) continue to operate the existing businesses of the Group but will regularly review its operations and business activities and may explore other opportunities available to the Company. After discussion with the Management, we further understand that the Subscription will allow the Subscriber to enhance the financial flexibility of the Company, which will in turn support the long-term business development of the Company. The increase in the Subscriber's shareholding in the Company also indicates confidence in the continued long-term growth of the Company from the Subscriber.

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Having taken into account the above, including, (i) the Subscription will strengthen the capital base of the Company, thus enhancing its financial position and supporting the development of the Group's business without incurring additional interest expenses; (ii) it is prudent to set aside sufficient money to prepare for also the full repayment of Bank Loan B; (iii) the Subscription is the preferred option over the other alternatives since it would strengthen the capital base of the Company, enhance its cash position without the ongoing burden of interest expenses; and (iv) the reasons for the Subscription as discussed above; and (v) the benefit of interest costs saving attributable to the repayment of the borrowings of the Group, including Loan B, we concur with the Directors that the Subscription is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. The Subscription Agreement

The principal terms of the Subscription Agreement as extracted from the Letter from the Board are summarised as follows:

The major terms and conditions of the Subscription Agreement are set out below:

Date: 28 April 2023 (after trading hours)

Parties: (a) the Company (as issuer); and
(b) the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability whose principal activity is investment holding. As at the Latest Practicable Date, (a) Giant Crystal, a wholly-owned subsidiary of the Subscriber, is principally engaged in investment holding and is a substantial Shareholder holding 215,431,372 Shares, representing approximately 29.90% of the issued share capital of the Company; (b) the Subscriber is legally and beneficially owned as to 50% by Mr. Cao, 20% by Mr. Liu and 30% by Mr. Hu; and (c) the directors of the Subscriber are Mr. Cao and Mr. Liu. As Mr. Cao and Mr. Liu are executive Directors, the Subscriber is a connected person of the Company.

Subject matter

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 360,000,000 new Shares at the Subscription Price of HK\$0.416 per Subscription Share for a total consideration of approximately HK\$149.8 million in cash. The Subscriber may nominate its wholly-owned subsidiary to take up the Subscription Shares on Completion.

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As at the Latest Practicable Date, there were 720,562,890 Shares in issue. The 360,000,000 Subscription Shares represent (i) approximately 50.0% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.3% of the issued share capital of the Company as enlarged by the 360,000,000 Subscription Shares, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (save and except for the Subscription).

Subscription Price

The Subscription Price of HK\$0.416 per Subscription Share represents:

- (i) a discount of approximately 5.5% to the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 8.4% to the average closing price of HK\$0.454 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (iii) a discount of approximately 7.6% to the average closing price of HK\$0.450 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (iv) a discount of approximately 17.5% to the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (v) a discount of approximately 32.2% to the average closing price of HK\$0.614 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (vi) a discount of approximately 54.5% to the average closing price of HK\$0.914 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days prior to but excluding the date of the Subscription Agreement;
- (vii) a discount of approximately 37.9% to the closing price of HK\$0.670 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (viii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.79%, represented by the theoretical diluted price of approximately HK\$0.441 per Share to the benchmarked price of approximately HK\$0.454 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Subscription Agreement of HK\$0.440 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement of HK\$0.454 per Share);

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- (ix) a discount of approximately 63.9% to the unaudited equity attributable to owners of the Company of approximately HK\$1.154 per Share as at 30 September 2022, which is calculated based on (a) the unaudited consolidated equity attributable to owners of the Company of approximately HK\$831,324,000 as at 30 September 2022; and (b) a total of 720,562,890 issued Shares as at 30 September 2022 and the Latest Practicable Date;
- (x) a discount of approximately 65.5% to the equity attributable to owners of the Company of approximately HK\$1.206 per Share as at 31 March 2023, which is calculated based on (a) the audited consolidated equity attributable to owners of the Company of approximately HK\$869,114,000 as at 31 March 2023; and (b) a total of 720,562,890 issued Shares as at 31 March 2023 and the Latest Practicable Date; and
- (xi) a discount of approximately 64.5% to the adjusted equity attributable to owners of the Company of approximately HK\$1.172 per Share as at 31 March 2023, the calculation of which is set out under the paragraph headed “1. Summary of financial information of the Group – Adjusted audited net asset value” on page I-4 in Appendix I to the Circular.

The Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions

Completion is conditional upon fulfillment or waiver, if applicable by the Subscriber, of the Conditions set out as follow:

- (i) there being no material breach of the representations and warranties of the Company under the terms of the Subscription Agreement;
- (ii) no material adverse change in relation to the business, financial or trading position of the Group as a whole having occurred;

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- (iii) the approval of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the Specific Mandate by more than 50% of the Independent Shareholders at the EGM by way of poll;
- (iv) the Executive having granted to the Subscriber the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied, and the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll;
- (v) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to Completion; and
- (vi) the compliance of any other requirements imposed by the Stock Exchange and/or the SFC in relation to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the allotment and issue of the Subscription Shares, whether under the Listing Rules, the Takeovers Code or otherwise.

The Company shall use its best endeavors to procure the fulfillment of the above Conditions. The parties to the Subscription Agreement shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by the Stock Exchange and/or the SFC in connection with the fulfillment of such Conditions. The Subscriber may at its discretion waive the Conditions (i) and (ii) above. The other Conditions cannot be waived by either party to the Subscription Agreement.

The Long Stop Date for the fulfillment or waiver (as the case may be) of the Conditions was originally fixed for 31 July 2023 but subsequently extended to 31 August 2023 (or such later date as may be agreed in writing between the Company and the Subscriber) pursuant to the Supplemental Agreement. In the event that not all the Conditions have been fulfilled or waived (as the case may be) on or before the Long Stop Date, then unless the Long Stop Date is extended by mutual consent of the Company and the Subscriber, the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) shall terminate and lapse, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other save for any antecedent breaches of the Subscription Agreement.

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

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Completion

Completion shall take place within five business days after the date upon which the last of the Conditions is satisfied (or, where permissible, waived) or such other time and date as the Company and the Subscriber may mutually agree.

Lock-up undertaking

The Subscriber undertakes to and covenants with the Company that it shall not, in the period commencing on the Completion Date and ending on the date which is 6 months from the Completion Date, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the EGM. An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

6. Analysis of the Subscription Price

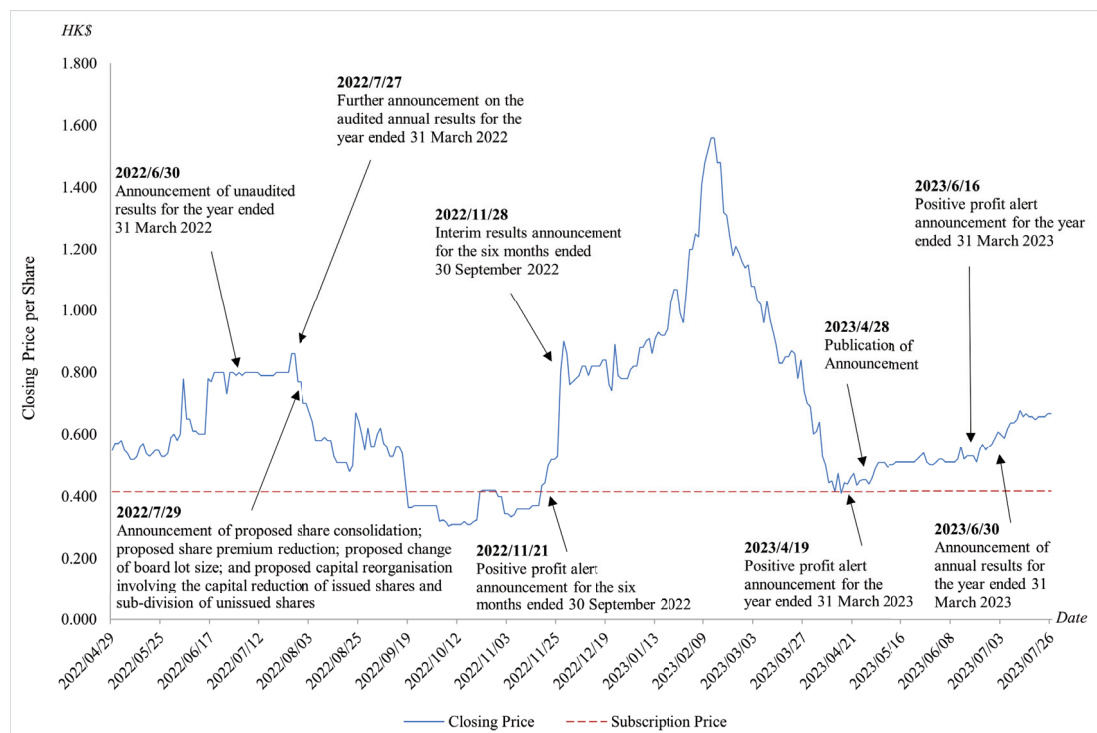
With reference to the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions. In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

(a) Analysis on historical Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price per Share during the period from 29 April 2022, being 12 months immediately preceding the date of the Subscription Agreement, to the Latest Practicable Date (the "**Share Price Review Period**"), which is commonly adopted for share price analysis. Having considered that the Shares were suspended for trading during the period from 2 July 2021 to 19 December 2021 and the longer period (more than 12 months) may not accurately reflect recent market conditions, we consider that a period of 12 months is adequate and long enough to illustrate the recent price movements and covered the seasonal factors of the Shares for conducting a reasonable comparison between the Subscription Price and the closing price of the Shares for assessing the reasonableness and fairness of the Subscription Price.

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Share price chart during the Share Price Review Period



Source: www.hkex.com.hk

As illustrated in the above chart, the closing price per Share ranged from approximately HK\$0.31 to approximately HK\$1.56 during the Share Price Review Period. At the end of the second quarter and the third quarter of 2022, the closing price per Share was HK\$0.80 and HK\$0.37, respectively, showing a downward trend. During the fourth quarter of 2022, the closing price per Share ranged from HK\$0.31 and HK\$0.90, showing an upward trend. Subsequently, the closing price of the Shares reached HK\$1.56 on 13 February 2023. The closing price of the Shares falls thereafter and formed a decreasing trend and reached HK\$0.44 on 28 April 2023 (i.e. date of the Subscription Agreement). As confirmed by the Management, save for the possible market reactions on the announcements as set out in the Share price chart during the Share Price Review Period made by the Company, the Management did not identify any specific reasons for the movements of the closing prices of the Shares for the decreasing trend from HK\$1.56 as at 13 February 2023 to HK\$0.44 as at 28 April 2023. Although there were 265 trading days out of 305 trading days that the closing price per Share was higher than the Subscription Price during the Share Price Review Period, we considered that the Subscription Price should be evaluated together with the factors including the financial position of the Group, the reasons and benefits of the Subscription as well as the most prevailing market conditions.

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During the period from 19 April 2023, on which an announcement in relation to positive profit alert for the year ended 31 March 2023 was published, to the date of the Announcement, the closing price per Share was ranged from approximately HK\$0.44 to approximately HK\$0.48, with an average of approximately HK\$0.45 (“**Average Price After Positive Profit Alert**”). Based on the Average Price After Positive Profit Alert of approximately HK\$0.45 per Share, the Subscription Price represented a discount of approximately 7.6% to the Average Price After Positive Profit Alert of approximately HK\$0.45 per Share. Besides, the closing price of Share was ranged from HK\$0.44 per Share to HK\$0.68 per Share since the date of the Profit Alert Announcement to the Latest Practicable Date.

Given the imminent funding needs of the Group and restrictions of the alternative fund-raising methods as set out under the section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter as well as the financial position of the Group, we consider that the Subscription Price set at discount is fair and reasonable, please refer the section headed “(c) Trading multiple analysis of P/E Ratio and P/B Ratio” as below for further details of the assessment of Subscription Price. As set out in the Letter from the Board, by virtue of the 29.9% shareholding held by Giant Crystal as at the Latest Practicable Date, the Subscriber is a substantial shareholder of the Company. Upon the Completion, the Subscriber will become a controlling shareholder (as defined in the Listing Rules) and the single largest Shareholder. The Subscriber intends to (i) maintain the listing of the Shares on the Main Board of the Stock Exchange; and (ii) continue to operate the existing businesses of the Group but will regularly review its operations and business activities and may explore other opportunities available to the Company. Thus, the Company would be able to enjoy various supports from the Subscriber. Besides, the Subscriber has no intention to terminate any existing business segments of the Group, or to terminate the continued employment of the employees of the Group on a large scale (save for normal hire and fire decisions necessary for daily operations), or to re-deploy or dispose of the assets or business of the Group other than in its ordinary and usual course of business. Due to the above business opportunities working with the Subscriber and the potential incentives of the Subscriber as a controlling shareholder (the Subscriber will benefit from the Group’s performance turning around in future, including but not limited to, the increase in market price of Shares or dividend), we consider that it is fair and reasonable to introduce the Subscriber as a controlling shareholder. Taking into account (i) the liquidity of the Shares was thin in the open market during the Share Price Review Period as mentioned under the section headed “(b) Historical trading liquidity of Shares” as below, which may indicate a lack of interest from the open market; (ii) the imminent funding needs of the Group and restrictions of the alternative fund-raising methods as well as the current financial position of the Group; (iii) the Subscription Price set with reference to the closing price in a longer period prior to the date of the Subscription Agreement is considered as inappropriate as the Shares were suspended for trading during the period from 2 July 2021 to 19 December 2021 and it cannot reflect the prevailing market conditions and would not provide incentive to Subscriber to participate in the Subscription, especially the closing price of Shares

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experienced a significant downward trend during the period from February 2023 to April of 2023; and (iv) the implied price to earnings multiple (“**P/E Ratio**”) of the Subscription Price is higher than the median of P/E Ratio of the trading multiple comparable companies on the date of Subscription Agreement and the implied price to book multiple (“**P/B Ratio**”) is within the range of the trading multiple comparable companies on the date of Subscription Agreement, which of them are engaged in similar business activities as the Company, details of which please refer to the section headed “(c) Trading multiple analysis of P/E Ratio and P/B Ratio” as below, we are of the view that the discount on the Subscription Price to the prevailing market value of the Shares is justifiable.

Having considered the reasons for the subscription and the use of proceeds mainly for settlement of debts and liabilities of the Group as set out in the Letter from the Board under section headed “Reasons for the Subscription and use of proceeds”, the Subscription Price at discount of approximately 5.5% to the closing price of HK\$0.44 per Share on the date of the Subscription Agreement was determined after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions. Details of our analysis regarding the Subscription Price are set out in the section headed “(c) Trading multiple analysis of P/E Ratio and P/B Ratio” as below.

As confirmed by the Management, save for the possible market reactions on the announcements as set out in the above chart made by the Company during the Share Price Review Period, the Management did not identify any specific reasons for the aforesaid movements of the closing prices of the Shares during the Share Price Review Period.

Based on the Subscription Price of HK\$0.416 per Subscription Share, it represents a discount of approximately 65.5% (representing an implied P/B Ratio of approximately 0.3 times) to the consolidated equity attributable to owners of the Company of approximately HK\$1.206 per Share as at 31 March 2023, which is calculated based on (a) the audited consolidated equity attributable to owners of the Company of approximately HK\$869,114,000 as at 31 March 2023; and (b) a total of 720,562,890 issued Shares as at the Latest Practicable Date.

During the Share Price Review Period, the Shares were traded with P/B Ratio, which is calculated as the closing price per Share as quoted on the Stock Exchange divided by the respective latest published consolidated equity attributable to owners of the Company per Share at the relevant time, ranged from approximately 0.2 times to approximately 1.4 times (“**PBR Range**”), a median of approximately 0.5 times (“**PBR Median**”) and an average of approximately 0.6 times (“**PBR Average**”). We noted that the implied P/B ratio of Subscription Price based on the consolidated equity attributable to owners of the Company as at 31 March 2023 of approximately 0.3 times is lower than the PBR Median, PER Average and falls within the PBR range.

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Having considered that (i) over 78% of the total assets of the Group as at 31 March 2023 were investment properties, which are oil and liquefied chemical terminal located in Shandong Province, the PRC, which was illiquid in nature; and (ii) the prevailing market price of the Shares have reflected the expectation of the stock market to the Company and the recent stock market sentiment, the Subscriber and the Company considered and we concur that the prevailing market price of the Shares and the recent market conditions would be a more appropriate reference, instead of the net asset value per Share.

(b) Historical trading liquidity of Shares

We have reviewed the historical trading volume of the Shares during the Share Price Review Period. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Share Price Review Period are shown in the table below.

Month/period	Number of trading days	Average daily number of Shares traded	% of average daily number of Shares traded to the total number of Shares in issue (Note 1)	% of average daily number of Shares traded to the total number of Shares in the public hands (Note 2)
2022				
April (from 29 April 2022)	1	518,000	0.07%	0.10%
May	16	40,506	<0.01%	0.01%
June	18	96,471	0.01%	0.02%
July	12	67,954	<0.01%	0.01%
August	19	223,205	0.03%	0.04%
September	15	20,150	<0.01%	<0.01%
October	14	50,832	<0.01%	0.01%
November	14	104,116	0.01%	0.02%
December	18	82,999	0.01%	0.02%
2023				
January	17	252,708	0.04%	0.05%
February	19	498,167	0.07%	0.10%
March	21	153,101	0.02%	0.03%
April	17	1,976,347	0.27%	0.39%
May	21	344,827	0.05%	0.07%
June	19	1,005,084	0.14%	0.20%
July (up to the Latest Practicable Date)	17	862,052	0.12%	0.17%
Average			0.05%	0.08%
Maximum			0.27%	0.39%
Minimum			<0.01%	<0.01%

Source: www.hkex.com.hk

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As set out in the table above, during the Share Price Review Period, the percentage of average daily trading volume of the Shares by month/period were (i) in the range of less than 0.01% to approximately 0.27% with an average of 0.05% as to the total number of issued Shares; and (ii) in the range of less than 0.01% to approximately 0.39% with an average of approximately 0.08% as to the total number of Shares held by public Shareholders, respectively.

The above statistics revealed that the trading liquidity of the Shares has been extremely low in the open market. During the Share Price Review Period, where the percentages of average daily trading volume of the Shares to the total issued Shares and the total issued Shares held by the public Shareholders during the Share Price Review Period are approximately 0.05% and approximately 0.08% respectively. Based on the above statistics of the percentage of average daily trading volume of the Shares by month/period with an average of approximately 0.05% as to the total number of issued Shares revealed that the liquidity of the Shares was thin in the open market, we consider that the Company is unlikely to raise fund by issue of new Shares without discount.

The Subscription Price represents a discount of approximately 5.5% to the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the date of Subscription Price. On this basis and having considered the financial performance and financial conditions of the Group as analysed under the section headed “1. Background and financial information of the Group” in this letter above, we are of the view that the discount to the closing price of the Shares as represented by the Subscription Price is justifiable.

(c) *Trading multiple analysis of P/E Ratio and P/B Ratio*

With a view to assess the fairness and reasonableness of the Subscription Price, we also note that P/E Ratio, P/B Ratio and dividend yield are commonly adopted analysis. In this regard, we have conducted market research on comparable companies with similar business activities as the Company regarding the trading multiples of comparable companies based on the following selection criteria: (i) the shares of the companies are listed on the Stock Exchange; (ii) the companies which are principally engaged in similar line of business as the Group, being primarily engaged in oil and liquefied chemical terminal (together with its storage and logistics facilities) and the provision of agency services and trading of oil and/or liquefied chemical products (the business in relation to insurance brokerage service in Hong Kong of the Group was not taken into consideration in this analysis as the revenue generated by insurance brokerage service was less than 1% of total revenue of the Group for the year ended 31 March 2022 and 2023, respectively); (iii) the companies with market capitalization as at date of the Subscription Agreement of not less than HK\$100 million and not more than HK\$634 million, represents double of the market capitalization of the Company which was approximately HK\$317 million based on the closing price per Share dated 28 April 2023 quoted on the Stock Exchange, as Hong Kong listed companies with market capitalization far different from the Company may affect comparability; and (iv) the trading of shares of the companies were not suspended on 28 April 2023 (the “**Trading Multiple Criteria**”). As the Company did not distribute any dividend for the year ended 31 March 2021, dividend yield analysis is impracticable.

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Based on the aforesaid Trading Multiple Criteria and our searches conducted on a best effort basis on the website of the Stock Exchange, we have identified an exhaustive list of 4 companies (the “**Trading Multiple Comparable Companies**”), which meet our Trading Multiple Criteria and they are exhaustive. Set out below are the P/E Ratio and P/B Ratio (based on the date of Subscription Agreement) of the Trading Multiple Comparable Companies:

Company name (Stock code)	Principal business	Market capitalization	P/E Ratio on	P/B Ratio on	P/E Ratio on	P/B Ratio on
		as at the date of Subscription Agreement	the date of Subscription Agreement	the date of Subscription Agreement	the Latest Practicable Date	the Latest Practicable Date
		Approximately HK\$ million	(Note 1) Approximately times	(Note 2) Approximately times	(Note 3) Approximately times	(Note 4) Approximately times
Yuan Heng Gas Holdings Ltd (332)	Trading of oil and gas products and the provision of related consultancy services; and processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC	615.3	8.4	0.4	18.6	0.4
CHK Oil Limited (632)	Exploring, exploiting and sale of oil and natural gas, and trading of oil, oil-related and other products	149.9	N/A	0.3	N/A	0.3
Strong Petrochemical Holdings Ltd. (852)	Trading of commodities, including crude oil, petroleum products, petrochemicals and coal, and provision of petroleum products and petrochemicals storage services	346.1	56.0	0.2	56.7	0.3
JTF International Holdings Limited (8479/9689)	Wholesale of refined oil, fuel oil and other petrochemical products in the PRC	567.3	15.8	1.2	17.1	1.3
Maximum			56.0	1.2	56.7	1.3
Minimum			8.4	0.2	17.1	0.3
Average			26.7	0.5	30.8	0.5
Median			15.8	0.4	18.6	0.3
The Company (based on the Subscription Price)			23.5 (Note 5)	0.4 (Note 6)	3.4 (Note 7)	0.3 (Note 8)

Source: The website of Stock Exchange.

Note 1. The P/E Ratio of the Trading Multiple Comparable Companies on the date of Subscription Agreement were calculated as their closing price as quoted on the Stock Exchange as at the date of the Subscription Agreement divided by their earnings per share which were calculated based on the latest published profit for the year attributable to owners of the company (results for the year ended 31 March 2022 or results for the year ended 31 December 2022) and the total issued shares of the company as at the date of the Subscription Agreement.

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- Note 2.* The P/B Ratio of the Trading Multiple Comparable Companies on the date of Subscription Agreement were calculated as their closing prices as quoted on the Stock Exchange as at the date of the Subscription Agreement divided by their net asset value per share which were calculated based on the latest published net assets attributable to owners of the company (as at 31 March 2022 or 31 December 2022) and the total issued shares of the company as at the date of the Subscription Agreement.
- Note 3.* The P/E Ratio of the Trading Multiple Comparable Companies on the Latest Practicable Date were calculated as their closing price as quoted on the Stock Exchange as at the Last Practicable Date divided by their earnings per share which were calculated based on the latest published profit for the year attributable to owners of the company (results for the year ended 31 March 2023 or results for the year ended 31 December 2022) and the total issued shares of the company as at the Last Practicable Date.
- Note 4.* The P/B Ratio of the Trading Multiple Comparable Companies on the Latest Practicable Date were calculated as their closing prices as quoted on the Stock Exchange as at the Last Practicable Date divided by their net asset value per share which were calculated based on the latest published net assets attributable to owners of the company (as at 31 March 2023 or 31 December 2022) and the total issued shares of the company as at the Last Practicable Date.
- Note 5.* The implied P/E Ratio of the Company on the date of Subscription Agreement was calculated as the Subscription Price divided by their earnings per share which were calculated based on the latest published profit for the year attributable to owners of the company for the year ended 31 March 2022 and the total issued shares of the company as at the date of Subscription Agreement.
- Note 6.* The implied P/B Ratio of the Company on the date of Subscription Agreement was calculated as the Subscription Price divided by their net asset value per share which were calculated based on the latest published net assets attributable to owners of the company as at 30 September 2022 and the total issued shares of the company as at the date of Subscription Agreement.
- Note 7.* The implied P/E Ratio of the Company on the Latest Practicable Date was calculated as the Subscription Price divided by their earnings per share which were calculated based on the latest published profit for the year attributable to owners of the Company for the year ended 31 March 2023 and the total issued Shares as at the Last Practicable Date.
- Note 8.* The implied P/B Ratio of the Company on the Latest Practicable Date was calculated as the Subscription Price divided by their net asset value per share which were calculated based on the latest published net assets attributable to owners of the Company as at 31 March 2023 and the total issued Shares as at the Last Practicable Date.
- Note 9.* The exchange rate is based on the central parity rate announced by the People's Bank of China on the date of the Subscription Agreement (HK\$100=RMB88.206).

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We noticed from the above table that (i) the P/E Ratio of the Trading Multiple Comparable Companies on the date of Subscription Agreement ranged from approximately 8.4 times to 56.0 times (“**Comparable P/E Ratio Range – Date of Subscription Agreement**”), with an average of approximately 26.7 times and a median of 15.8 times (“**Comparable P/E Ratio Median – Date of Subscription Agreement**”); (ii) the P/B Ratio of the Trading Multiple Comparable Companies on the date of Subscription Agreement ranged from approximately 0.2 times to 1.2 times (“**Comparable P/B Ratio Range – Date of Subscription Agreement**”), with an average of approximately 0.5 times and a median of 0.4 times (“**Comparable P/B Ratio Median – Date of Subscription Agreement**”); (iii) the P/E Ratio of the Trading Multiple Comparable Companies on the Latest Practicable Date ranged from approximately 17.1 times to 56.7 times (“**Comparable P/E Ratio Range – LPD**”), with an average of approximately 30.8 times and a median of 18.6 times; and (iv) the P/B Ratio of the Trading Multiple Comparable Companies on the Latest Practicable Date ranged from approximately 0.3 times to 1.3 times, with an average of approximately 0.5 times and a median of 0.3 times (“**Comparable P/B Ratio Median – LPD**”).

Taking into the account that there is a Trading Multiple Comparable Company with exceptional high P/E Ratio on the date of Subscription Agreement of approximately 56.0 times (Strong Petrochemical Holdings Ltd. (stock code:852)), representing approximately 254% higher than the Comparable P/E Ratio Median – Date of Subscription Agreement, thus we considered the Comparable P/E Ratio Median – Date of Subscription Agreement is better benchmark (representing the better central tendency for the P/E Ratio of the Trading Multiple Comparable Companies) to assess the implied P/E Ratio of the Subscription Price.

Taking into the account that there is a Trading Multiple Comparable Company with exceptional high P/B Ratio on the date of Subscription Agreement of approximately 1.2 times and P/B Ratio on the Latest Practicable Date of approximately 1.3 times (JTF International Holdings Limited (stock code: 8479)), representing approximately 200% and 333% higher than the Comparable P/B Ratio Median – Date of Subscription Agreement and the Comparable P/B Ratio Median- LPD, respectively, thus we considered the Comparable P/B Ratio Median – Date of Subscription Agreement/ LPD is better benchmark (representing the better central tendency for the P/B Ratio of the Trading Multiple Comparable Companies) to assess the implied P/B Ratio of the Subscription Price.

Based on the Subscription Price of HK\$0.416, (i) the implied P/E Ratio of the Subscription Price on the date of Subscription Agreement is approximately 23.5 times which is higher than Comparable P/E Ratio Median – Date of Subscription Agreement of approximately 15.8 times, (ii) the implied P/B Ratio of the Subscription Price on the date of Subscription Agreement is approximately 0.4 times which is same as the Comparable P/B Ratio Median – Date of Subscription Agreement of approximately 0.4 times; and (iii) the implied P/B Ratio of the Subscription Price on the Latest Practicable Date is approximately 0.3 times which is same as the Comparable P/B Ratio Median – LPD of approximately 0.3 times.

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However, we noted the implied P/E Ratio of the Subscription Price on the Latest Practicable Date is approximately 3.4 times which is out of the range of Comparable P/E Ratio Range – LPD ranged from approximately 17.1 times to 56.7 times. The significant decrease in implied P/E Ratio of the Subscription Price from approximately 23.5 times on the date of Subscription Agreement to approximately 3.4 times on the Latest Practicable Date, which is mainly attributable to the increase in the profit attributable to owners of the Company from approximately HK\$12.8 million for the year ended 31 March 2022 to approximately HK\$89.3 million for the year ended 31 March 2023, please refer to the section headed “1. Information of the Group” for details of the financial performance of the Group for the year ended 31 March 2023.

Having considered that (i) over 78% of the total assets of the Group as at 31 March 2023 were investment properties, which are oil and liquefied chemical terminal located in Shandong Province of the PRC, which was illiquid in nature; (ii) the reference of net asset value of the Group in determination of Subscription Price would not provide incentive to Subscriber to participate in the Subscription; (iii) there is the imminent funding needs of the Group as the Group’s cash and bank balances amounted to approximately HK\$83.1 million as at 31 March 2023, which was not sufficient to settle the outstanding principal amount of the Promissory Note and Bank Loan B if early repayment is demanded by the lender; (iv) there was not less than approximately HK\$105 million that the Group intends to set aside for the funding needs in relation to the Port and Storage Facilities operations in future, please refer to the section headed “Reasons for the Subscription and use of proceeds” in the Letter from the Board for further details; (v) the Company has approached two banks to explore the possibility of applying for new loans but both banks have turned down the Group’s application for new loan of meaningful loan size; (vi) the Company has approached several securities brokerage firms about the possibility and feasibility of acting as placing agent and/or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3.0% to 5.0% based on the fund raising size, and a discount on the placing/subscription price (ranging from 20% for a general mandate placing to as high as 40% for rights issue or open offer) so as to increase the attractiveness of the equity fund raising exercise and any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition compared to the present Subscription; (vii) there is only the Subscriber who expressed its willingness to subscribe for the Subscription Shares at the Subscription Price at a similar level to moderate discount to the prevailing market price; (viii) the implied P/E Ratio of the Subscription Price on the date of Subscription Agreement is higher than the Comparable P/E Ratio Median – Date of Subscription Agreement; (ix) the implied P/B Ratio of the Subscription Price on the date of Subscription Agreement is same as the Comparable P/B Ratio Median – Date of Subscription Agreement; and (x) the implied P/B Ratio of the Subscription Price on the Latest Practicable Date is same as the Comparable P/B Ratio Median – LPD, we are of the view that the Subscription Price is fair and reasonable.

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(d) Conclusion on Subscription Price

Notwithstanding the implied P/E Ratio of the Subscription Price on the Latest Practicable Date is out of the Comparable P/E Ratio Range – LPD, having considered the factors set out below (the “**Subscription Price Factors**”):

- (a) the Subscription Price represents a discount of approximately 5.5% to the closing price of HK\$0.440 per Share as at date of the Subscription Agreement which is set at a level similar to the closing price as at the date of the Share Subscription Agreement and the Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and considering the reasons for the Subscription and the use of proceeds mainly for settlement of debts and liabilities of the Group;
- (b) the implied P/E Ratio of the Subscription Price on the date of Subscription Agreement is higher than the Comparable P/E Ratio Median – Date of Subscription Agreement and the implied P/B Ratio of the Subscription Price on the date of Subscription Agreement is same as the Comparable P/B Ratio Median – Date of Subscription Agreement;
- (c) the implied P/B Ratio of the Subscription Price on the Latest Practicable Date is approximately 0.4 times which is same as the Comparable P/B Ratio Median – Date of LPD of approximately of 0.4 times;
- (d) the Company has approached two banks to explore the possibility of applying for new loans but both banks have turned down the Group’s application for new loan of meaningful loan size;
- (e) the Company has approached several securities brokerage firms about the possibility and feasibility of acting as placing agent and/or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3.0% to 5.0% based on the fund raising size, and a discount on the placing/subscription price (ranging from 20% for a general mandate placing to as high as 40% for rights issue or open offer) so as to increase the attractiveness of the equity fund raising exercise and any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition compared to the present Subscription;

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- (f) there is only the Subscriber who expressed its willingness to subscribe for the Subscription Shares at the Subscription Price at a similar level to moderate discount to the prevailing market price;
- (g) there is the imminent funding needs of the Group as the Group's cash and bank balances amounted to approximately HK\$83.1 million as at 31 March 2023, which was not sufficient to settle the outstanding principal amount of the Promissory Note and Bank Loan B if early repayment is demanded by the lender;
- (h) there is not less than approximately HK\$105 million that the Group intends to set aside for the funding needs in relation to the Port and Storage Facilities operations in future, please refer to the section headed "Reasons for the Subscription and use of proceeds" in the Letter from the Board for further details; and
- (i) although the Subscription Price represented (i) a discount of approximately 17.5% to the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days prior to but excluding the date of the Subscription Agreement; and (ii) a discount of approximately 32.2% to the average closing price the average closing price of HK\$0.614 per Share as quoted on the Stock Exchange, for the last 30 consecutive trading days, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions and the Subscription Price with discount mentioned in section headed "(a) Analysis on historical Share price performance" as above would provide incentive to the Subscriber to participate in the Subscription and balance the thin trading liquidity of the Shares during the Share Price Review Period which may imply a lack of interest from potential investors to invest in the Shares;

we are of the view that the Subscription Price is fair and reasonable.

(e) Other terms of the Subscription Agreement

As set out in the Letter from the Board, there is lock-up undertaking by the Subscriber under the Subscription Agreement, pursuant to which the Subscriber undertakes to and covenants with the Company that it shall not, in the period commencing on the Completion Date and ending on the date which is 6 months from the Completion Date, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

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Having considered that the Subscriber will become the largest Shareholder, representing approximately 33.3% of the issued share capital of the Company as enlarged by the Subscription Shares, any disposal of the Subscription Shares by the Subscriber thereafter might trigger an instant fluctuation on the market price of Share. We consider that the arrangement of the lock-up period could effectively prevent any unfavorable and unusual price movement of the Shares provoked by the disposal of the Subscription Shares by the Subscriber in the short-term period. As such, we are of the view that the arrangement of the lock-up undertaking is in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Subscription

(i) Net asset value

According to the Results Announcement 2022/23, the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2023 was approximately HK\$869.1 million. As set out in the Letter from the Board, 360,000,000 new Shares will be issued under the Subscription Agreement and the net proceeds (after deducting costs and expenses incidental to the Subscription and the Whitewash Waiver) from the Subscription under Subscription Agreement is expected to be approximately HK\$146.8 million. Upon completion of the Subscription, the adjusted consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2023 would improve from approximately HK\$869.1 million to approximately HK\$1,015.9 million and the equity attributable to owners of the Company per Share as at 31 March 2023 decreased from approximately HK\$1.21 per Share to approximately HK\$0.94 per Share.

(ii) Current ratio

As set out in the Results Announcement 2022/23, the Group had current asset of approximately HK\$426.6 million and current liabilities of approximately HK\$219.2 million as at 31 March 2023. Accordingly, the current ratio of the Group (being the current assets divided by the current liabilities) as at 31 March 2023 was approximately 1.9 times. Upon completion of the Subscription, the current assets of the Group will increase to approximately HK\$573.4 million, based on the net proceeds from the Subscription of approximately HK\$146.8 million as set out in the Letter from the Board, and hence the current ratio of the Group will improve to approximately 2.6 times. In relation to the improvement of current ratio to approximately 2.6 times, such improvement can be seen under fund raising activities either subscription of new share, rights issue or open offer. For analysis in relation to the subscription of new shares adopted instead of other fund-raising alternatives (including rights issue and open offer), please refer to the section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter.

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(iii) Net debt-to-equity ratio

According to the Results Announcement 2022/23, the Company had net debt-to-equity ratio (being the interest-bearing bank borrowings, other borrowings and promissory notes less cash and bank balances) of approximately 12.4% as at 31 March 2023. Upon completion of the Subscription, the cash and bank balances of the Group will increase to approximately HK\$229.9 million, based on the net proceeds from the Subscription of approximately HK\$146.8 million as set out in the Letter from the Board, and hence the Group will have net cash position of approximately HK\$39.3 million after deducting the total debt of approximately HK\$190.6 million of the Group as at 31 March 2023. The such improvement can be seen under fund raising activities either subscription of new share, rights issue or open offer. For analysis in relation to the subscription of new shares adopted instead of other fund-raising alternatives (including rights issue and open offer), please refer to the section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter.

8. Effect on the shareholding interest of the public shareholders

With reference to the shareholding table in the section headed “Changes in the shareholding structure of the Company” of the Letter from the Board, the shareholding interests of the other public Shareholders would be diluted by approximately 23.35 percentage points immediately after completion of the Subscription. We considered the reasons and benefits of the Subscriptions as set out in the section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter:

- (i) the net proceeds from the Subscription are estimated to be approximately HK\$146.8 million, which will be applied to repay debts and liabilities of the Group;
- (ii) the Subscription will strengthen the capital base of the Company by improving its debts position, thus enhancing its financial position and supporting the development of the Group’s business without incurring additional interest expenses;
- (iii) the outstanding principal amount of the Bank Loan B amounted to approximately HK\$148.8 million as at 31 May 2023 is owed to the Lender with history of early exercising the clause of repayable-on-demand attached to the previous borrowing of the Group (i.e. Bank Loan A); and
- (iv) the Group’s liabilities and finance costs will be reduced after repaying the debts and liabilities of the Group with the net proceeds of the Subscription.

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Taking into account (i) the aforementioned benefits of the Subscription (details of which are set out under the section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter); and (ii) the Subscription Price is fair and reasonable, details of which are set out under the section headed “6. Analysis of the Subscription Price” in this letter, we are of the view that the aforesaid dilution is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

9. Application for Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with it were, in aggregate, interested in 215,431,372 Shares, representing approximately 29.90% of the total issued share capital of the Company. Upon the Completion, the shareholding of the Subscriber and the parties acting in concert with it will increase to approximately 53.25% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber and parties acting or presumed to be acting in concert with it will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting or presumed to be acting in concert with it) in the absence of the Whitewash Waiver.

In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement.

The Executive may or may not grant the Whitewash Waiver, subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM to be held for such purposes; and (ii) the approval of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) and the Specific Mandate by more than 50% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM to be held for such purposes. The Subscriber, Giant Crystal, Mr. Cao, Mr. Liu and Mr. Hu, parties acting in concert with any of them and any Shareholders who are involved in, or interested in (other than by being a Shareholder) the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver are required to abstain from voting on the relevant resolution(s) at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the Subscriber and parties acting or presumed to be acting in concert with it will hold more than 50% of the voting rights of the Company, and they may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or if granted, is not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

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Having considered that (i) the aforesaid reasons for and benefits of the Subscription and that the Subscription is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Notwithstanding the implied P/E Ratio of the Subscription Price on the Latest Practicable Date is out of the Comparable P/E Ratio Range – LPD, having considered the factors and reasons as stated above and summarised below:

- (i) the imminent funding needs of the Group as discussed in section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter;
- (ii) taking into account the benefits and costs of each of the alternatives, the Subscription represents an appropriate means for fund raising to improve the Group’s financial position as discussed under the section headed “4. Reasons for and benefits of the Subscription and use of proceeds” in this letter;
- (iii) the Company has approached several securities brokerage firms about the possibility and feasibility of acting as placing agent and/or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3.0% to 5.0% based on the fund raising size, and a discount on the placing/subscription price (ranging from 20% for a general mandate placing to as high as 40% for rights issue or open offer) so as to increase the attractiveness of the equity fund raising exercise and any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition compared to the present Subscription;
- (iv) there is only the Subscriber who expressed its willingness to subscribe for the Subscription Shares at the Subscription Price at a similar level to moderate discount to the prevailing market price;
- (v) the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and although the Subscription is not in the ordinary and usual course of business of the Group, the Subscription is in the interests of the Company and the Independent Shareholders as a whole;

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- (vi) the Subscription, which the net proceeds of approximately HK\$146.8 million would be contributed for repayment of the debts and liabilities of the Group, is expected to have a positive financial effect on the net assets, current ratio and net debt-to-equity ratio of the Group;
- (vii) the Subscription Price, which was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions;
- (viii) the Subscription Price of the Subscription is reasonable as discussed in the section headed "6. Analysis of the Subscription Price" above;
- (ix) the dilution effect of the Subscription is reasonable as discussed in the section headed "8. Effect on the shareholding interest of the public shareholders" above; and
- (x) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the section headed "9. Application for Whitewash Waiver" above.

Based on the aforesaid, we are of the opinion that (i) the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Subscription Agreement and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for (i) the year ended 31 December 2019 (“FY2019”) as extracted from the annual report of the Company for FY2019 (the “Annual Report 2019”); (ii) the fifteen months ended 31 March 2021 (“15M2020/21”) as extracted from the annual report of the Company for 15M2020/21 (the “Annual Report 2020/21”); (iii) the year ended 31 March 2022 (“FY2022”) as extracted from the annual report of the Company for FY2022 (the “Annual Report 2021/22”); and (iv) the year ended 31 March 2023 (“FY2023”) as extracted from the annual results announcement of the Company for FY2023 (the “Annual Results Announcement 2022/23”):

	FY2023 HK\$'000 (audited)	FY2022 HK\$'000 (audited)	15M2020/21 HK\$'000 (audited)	FY2019 HK\$'000 (audited)
<i>Continuing operations</i>				
Revenue	366,770	520,579	193,148	129,838
Cost of sales and services rendered	<u>(204,489)</u>	<u>(355,566)</u>	<u>(3,164)</u>	<u>(2,327)</u>
Gross profit	162,281	165,013	189,984	127,511
Interest revenue	3,983	8,957	23,704	10,870
Other income and other (losses)/gains, net	(31,479)	(29,264)	(38,806)	18,144
Selling and distribution expenses	(9,403)	(14,657)	(8,099)	(9,654)
Administrative expenses	(33,704)	(39,725)	(55,518)	(42,097)
Fair value gain on investment properties	12,964	8,986	33,600	5,196
Loss on early redemption of promissory notes	–	–	(1,788)	(6,459)
Net gain on the derecognition of financial assets and liabilities	63,010	–	–	–
Gain on disposal of subsidiaries	1,955	–	–	–
Finance costs	<u>(16,455)</u>	<u>(25,531)</u>	<u>(47,495)</u>	<u>(45,028)</u>
Profit before income tax	153,152	73,779	95,582	58,483
Income tax expenses	<u>(26,889)</u>	<u>(31,843)</u>	<u>(36,723)</u>	<u>(23,124)</u>
Profit for the year/period from continuing operations	126,263	41,936	58,859	35,359
<i>Discontinued operations (Note 1)</i>				
Profit for the year/period from discontinued operation	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,496</u>
Profit for the year/period	<u>126,263</u>	<u>41,936</u>	<u>58,859</u>	<u>46,855</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	FY2023 HK\$'000 (audited)	FY2022 HK\$'000 (audited)	15M2020/21 HK\$'000 (audited)	FY2019 HK\$'000 (audited)
Profit for the year/period attributable to:				
– Owners of the Company	89,308	12,762	6,726	31,310
– Non-controlling interests	<u>36,955</u>	<u>29,174</u>	<u>52,133</u>	<u>15,545</u>
	<u>126,263</u>	<u>41,936</u>	<u>58,859</u>	<u>46,855</u>
Earnings per Share (Note 2)				
– Basic and diluted (HK cents)	<u>12.39</u>	<u>1.77</u>	<u>0.93</u>	<u>4.35</u>
Profit for the year/period	126,263	41,936	58,859	46,855
Other comprehensive (expenses)/income for the year/period, net of tax	<u>(93,146)</u>	<u>32,640</u>	<u>53,153</u>	<u>(26,749)</u>
Total comprehensive income for the year/period	<u>33,117</u>	<u>74,576</u>	<u>112,012</u>	<u>20,106</u>
Attributable to:				
– Owners of the Company	12,506	37,192	50,268	5,521
– Non-controlling interests	<u>20,611</u>	<u>37,384</u>	<u>61,744</u>	<u>14,585</u>
	<u>33,117</u>	<u>74,576</u>	<u>112,012</u>	<u>20,106</u>

Notes:

- On 3 June 2019, the Group entered into the sale and purchase agreement with the independent third party (the “**Purchaser**”), pursuant to which the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to sell the entire issued shares of China International Energy Investments (Hong Kong) Limited (“**China International Energy**”) which held 100% equity interests in China Era Energy Power Investment Limited at a total consideration of HK\$52,819,000 (the “**Disposal**”). China International Energy and its subsidiaries were engaged in the oil production. The Disposal was completed on 28 June 2019 and the Disposal constituted a discontinued operation under Hong Kong Financial Reporting Standard (“**HKFRS**”) 5 “Non-current Assets Held for Sale and Discontinued Operations” as the oil production represented one of the major line of businesses of the Group.
- On 29 July 2022, the Board proposed to implement share consolidation (the “**Share Consolidation**”) on the basis that every ten (10) issued and unissued existing shares would be consolidated into one (1) consolidated share. The relevant resolution approving the Share Consolidation was passed by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 13 September 2022 and the Share Consolidation became effective on 15 September 2022. Upon completion of the Share Consolidation and as at the Latest Practicable Date, there were 720,562,890 Shares in issue and fully-paid. The earnings per Share as stated in the table above were adjusted as a result of the Share Consolidation.

No dividend was paid or proposed by the Company during FY2019, 15M2020/21, FY2022 and FY2023.

Save as disclosed above, there are no items of any income or expense which are material in the financial statements of the Group for FY2019, 15M2020/21, FY2022 and FY2023.

The consolidated financial statements of the Group for FY2019 were audited by ZHONGHUI ANDA CPA Limited (“**Zhonghui**”), the then auditor of the Company, and the consolidated financial statements of the Group for 15M2020/21, FY2022 and FY2023 were audited by Crowe (HK) CPA Limited (“**Crowe**”), the existing auditor of the Company. The opinions of Zhonghui and Crowe are as follows:

(i) FY2019

No qualified opinion was made by Zhonghui in respect of the consolidated financial statements of the Group for FY2019. According to the Annual Report 2019, in the opinion of Zhonghui, the consolidated financial statements for FY2019 give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of the Group’s consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Without qualifying its opinion, Zhonghui had disclaimed a material uncertainty related to going concern which is extracted from the Annual Report 2019 as follows:

Material Uncertainty Related to Going Concern

“We draw attention to note 2(a) to the consolidated financial statements, which indicates that as at 31 December 2019, the Group had net current liabilities of approximately HK\$289,383,000. This condition indicates that a material uncertainty exists that may cast significant doubts about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

(ii) 15M2020/21, FY2022 and FY2023

No qualified opinion was made by Crowe in respect of the consolidated financial statements of the Group for 15M2020/21 and FY2022. According to the Annual Report 2020/21 and the Annual Report 2021/22, in the opinion of Crowe, the consolidated financial statements for 15M2020/21 and FY2022 give a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and 31 March 2022, respectively, and of the Group’s consolidated financial performance and consolidated cash flows for the period/year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

According to the Annual Results Announcement 2022/23, Crowe did not issue any modified opinion nor any emphasis of matter or material uncertainty related to going concern on the financial statements of the Group for FY2023.

Adjusted audited net asset value

The following sets out the adjusted audited equity attributable to the owners of the Company as at 31 March 2023 (the “**Adjusted Audited NAV**”), taking into account the effect of revaluation arising from the valuation of the property interests (the “**Property Interests**”) held by the Group as at 30 April 2023:

	<i>HK\$'000</i>
Audited equity attributable to the owners of the Company as at 31 March 2023	869,114
Decrease in net book value of the Property Interests attributable to the owners of the Company ^(Note 1)	<u>(24,936)</u>
Adjusted Audited NAV	<u>844,178</u>
Adjusted Audited NAV per Share (HK\$) ^(Note 2)	<u>1.172</u>

Notes:

1. The net book value of the Property Interests in existing state decreased from approximately HK\$1,565,499,000 (equivalent to RMB1,370,000,000, based on the exchange rate of RMB1.0000 to HK\$1.1427) as at 31 March 2023 to approximately HK\$1,520,301,000 (equivalent to RMB1,339,000,000, based on the exchange rate of RMB1.0000 to HK\$1.1354) as at 30 April 2023, as appraised by APAC Asset Valuation and Consulting Limited. Summaries of the property valuation report issued by APAC Asset Valuation and Consulting Limited, being the independent property valuer to the Group, in respect of the valuation of the property interests held by the Group as at 30 April 2023 are set out in Appendix II to this circular. As at the Latest Practicable Date, the Group owned approximately 55.17% interest (as regards voting right and variable dividend) of the Property Interests.
2. The Adjusted Audited NAV per Share is calculated on the basis of 720,562,890 Shares in issue as at the Latest Practicable Date.

2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated statement of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for FY2019 (the “**FY2019 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for 15M2020/21 (the “**15M2020/21 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for FY2022 (the “**FY2022 Financial Statements**”); and (iv) the audited consolidated financial statements of the Group for FY2023 (the “**FY2023 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The FY2019 Financial Statements are set out from page 51 to page 168 in the Annual Report 2019, which was published on 7 September 2020. The Annual Report 2019 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://website.energyintinv.wisdomir.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0907/2020090701087.pdf>

The 15M2020/21 Financial Statements are set out from page 50 to page 208 in the Annual Report 2020/21, which was published on 23 December 2021. The Annual Report 2020/21 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://website.energyintinv.wisdomir.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1223/2021122300450.pdf>

The FY2022 Financial Statements are set out from page 51 to page 208 in the Annual Report 2021/22, which was published on 12 August 2022. The Annual Report 2021/22 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://website.energyintinv.wisdomir.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0812/2022081201816.pdf>

The FY2023 Financial Statements are set out from page 1 to page 15 in the Annual Results Announcement 2022/23, which was published on 30 June 2023. The Annual Results Announcement 2022/23 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://website.energyintinv.wisdomir.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0630/2023063001786.pdf>

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2023, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had a total indebtedness of approximately HK\$521.1 million, details of which are as follows:

	<i>HK\$'000</i>
Amounts due to Directors (<i>note a</i>)	1,220
Amounts due to Shareholders (<i>note a</i>)	9,695
Construction cost payables	26,056
Bank borrowings (<i>note b</i>)	168,591
Other borrowing (<i>note c</i>)	10,069
Promissory note (<i>note d</i>)	5,172
Preferred shares (<i>note e</i>)	297,513
Lease liabilities (<i>note f</i>)	<u>2,796</u>
	<u><u>521,112</u></u>

Notes:

- (a) The amounts due to Directors and Shareholders are unsecured, interest free and repayable on demand.
- (b) Bank borrowings include (i) a bank loan of approximately HK\$148.8 million, which is charged at interest of 4.90% per annum, secured by the entire investment properties of the Group and is repayable on demand; and (ii) a bank loan of approximately HK\$19.8 million, which is charged at interest of 4.75% per annum, guaranteed by independent third parties and is repayable on 26 August 2024.
- (c) Other borrowing represents the amount due to an independent third party. The amount due bears interest of 7% per annum and is repayable on 25 April 2025.
- (d) The promissory note bears interest of 4% per annum and is due on maturity on 31 August 2023.
- (e) The preferred shares are issued by Shundong Port to two independent third parties on 4 June 2020. They are accounted for as financial liabilities at fair value through profit or loss.

The holders of the preferred shares are entitled to special dividend based on 8% of the issuance price when the following conditions are satisfied in a particular year: (i) Shundong Port made a distributable profit which is more than the special dividend for the year; and (ii) Shundong Port has accumulated distributable profit which is more than the special dividend for the year. Both profit for the year and accumulated distributable profit are determined in accordance with the PRC accounting standards. The preferred shares do not have any redemption feature or conversion feature.

- (f) The Group had outstanding lease payment in respect of the office premise and sea area use rights of approximately HK\$0.6 million and HK\$2.2 million respectively.

Save as disclosed above and apart from the intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, to the best knowledge of the Directors, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as of 31 May 2023.

For the purpose of the indebtedness statement, foreign currency amounts have been converted into HK\$ at the exchange rate of RMB1.0000 = HK\$1.1019 as at 31 May 2023.

4. WORKING CAPITAL STATEMENT

Taking into account the estimated net proceeds from the Subscription and the financial resources available to the Group, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 March 2023, being the date to which the latest published audited consolidated accounts of the Group were made up, and up to the Latest Practicable Date.

6. MAJOR CUSTOMERS AND SUPPLIERS

During FY2022, the sales to the Group's five largest customers accounted for 100% of the Group's total sales for the year and sales to the largest customer included therein amounted to 69.4%. During FY2022, the Group's largest supplier accounted for more than 85% of the Group's purchases. None of the Directors, any of their associates or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interests in the Group's five largest customers and/or suppliers.

7. FINANCIAL AND BUSINESS PROSPECTS OF THE GROUP**Operation of liquid chemical terminal, storage and logistics facilities business**

The Company's subsidiary, Shundong Port, owns two sea area use rights covering an aggregate area available for land-forming and reclamation construction of approximately 31.59 hectares in Dongying Port, Shandong Province, the PRC and permitting the construction of reclamation and land-forming for use in sea transportation and port facilities for a 50-year period running from 13 November 2014 to 12 November 2064 and 23 February 2016 to 22 February 2066, respectively. Shundong Port has completed the construction and commenced leasing of its Port and Storage Facilities since 2017, with full commercial operation having been achieved in May 2018. The Port and Storage Facilities are located in the vicinity of the traditional petrochemical refinery area near Shengli Oilfield near Dongying City, and are among the few in Dongying Port which can berth 10,000 tonnage ships. As disclosed in the Company's announcement dated 30 December 2020, the Port and Storage Facilities were leased to an independent third party lessee for the period from 1 January 2021 to 19 May 2023. As affected by the lockdown measures and COVID-19, the recruitment and training of the Group's own specialist team was delayed in 2022, as a result of which the Group has not yet obtained all necessary licenses for the self-operation of part of the Port and Storage Facilities before the expiry of the then existing lease agreement (i.e. 19 May 2023). To ensure the uninterrupted services of the end customers of the Port and Storage Facilities, Shundong Port entered into the Short-term Lease Agreement with the Present Operator on 18 May 2023, pursuant to which Shundong Port agreed to continue to lease the whole Port and Storage Facilities to the Present Operator up to 31 July 2023 at a monthly rent of RMB12.5 million. Upon the expiry of the Short-term Lease Agreement, the Company expects to re-possess and self-operate at least part of the Port and Storage Facilities. Leveraging on the ample experience of the Group's specialist team, and barring the unforeseen circumstances, the Company anticipates that the Port and Storage Facilities will continue to contribute significant income to the Group, whether through leasing or self-operation.

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法), the key responsible officer of Shundong Port should obtain the Safety Certificate (RO) issued by Ministry of Emergency Management of the PRC (中華人民共和國應急管理部) for the self-operation of certain gas tanks in the Group's Port and Storage Facilities. In June 2023, the legal representative of Shundong Port has obtained the Safety Certificate (RO) in order to fulfill the regulatory requirement. In order to avoid the potential disruption of the self-operation of gas tanks in the Group's Port and Storage Facility, the employment of the legal representative of Shundong Port is terminable by not less than 90 days' notice in writing served by either of Shundong Port or its legal representative. The Company has also obtained an undertaking from the existing legal representative of Shundong Port, under which he undertook to the Company that he will remain in office until a safety certificate holding successor is appointed to take up his position of key responsible officer of Shundong Port. Therefore, Shundong Port shall have sufficient time to (i) recruit a suitable candidate who possesses all the necessary qualifications (including the Safety Certificate (RO)) from other port operating companies, which is expected to take approximately one month for the transfer of accreditation from one port operator to another; or (ii) promote its existing staff as a replacement of the existing legal representative, and allow the new legal representative to apply for the Safety Certificate (RO), which normally takes approximately three months. Further, since June 2023, the Group has been in negotiation with the Present Operator with the view to entering into a five-year contract in relation to the leasing of the Port and Storage Facilities (with the exception of the Self-operated Gas Tanks). Although the Present Operator is also prepared to take up the lease for the entire Port and Storage Facilities, it was the Group who insisted on the re-possession of 14 gas tanks out of 56 gas, refined oil and petrochemical tanks comprising the Port and Storage Facilities to maximize its profits, due to the Company's confidence on being able to secure market rental through self-operation which is estimated to be slightly higher than the rental obtainable through leasing to the Present Operator. On 12 July 2023, Shundong Port entered into the New Lease Agreement with the Present Operator whereby Shundong Port continued to lease the Port and Storage Facilities (with the exception of the Self-operated Gas Tanks) to the Present Operator for the term commencing from 1 August 2023 (i.e. the date immediately after the expiry of the Short-term Lease Agreement) and expiring on 31 July 2028. In addition, on the even date, Shundong Port and the Present Operator entered into the Side Agreement pursuant to which the Present Operator will be prepared to take up the operation of the Self-operated Gas Tanks, on a temporary and as-needed basis, on demand by Shundong Port (i.e. the Fall-back Undertaking). Shundong Port intends to call for the Present Operator's assistance under the Fall-back Undertaking given by it, if and when there is any interruption of the own operating license of Shundong Port. Notwithstanding that the Board is of the view that the possibility of disruption of the self-operation of the Self-operated Gas Tanks as a result of the interruption of the own operating license of Shundong Port is remote, the entering into of the Side Agreement can further safeguard the interests of the Company against the potential risk arising from the self-operation of the Self-operated Gas Tanks.

Financial service business

Following the completion of the acquisition of an insurance brokerage entity, the Group creates an independent business segment in August 2018. The Board believes that the Group can benefit from the diversification of its operations into the financial service industry and through better deployment of available resources, can bring values to the Group and the shareholders of the Company as a whole.

In November 2020, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interest of certain companies, including (i) a company licensed to carry on type 1 (dealing in securities) regulated activity under the SFO; and (ii) a company licensed to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. However, the aforementioned acquisition did not complete due to the non-fulfilment of certain conditions precedent before the long stop date of the sale and purchase agreement.

The Group has from time to time been, and will continue to be, in active exploration of other acquisition and/or investment opportunity. But no binding agreement has yet been arrived as at the Latest Practicable Date.

The following are the texts of letter, summaries of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from APAC Asset Valuation and Consulting Limited, in connection with their valuation as at 30 April 2023 of the property interests held by the Group. Terms defined in this appendix applies to this appendix only.

**APAC Asset Valuation and Consulting Limited**

5/F., Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong

Tel: (852) 2357 0059

Fax: (852) 2951 0799

Energy International Investments Holdings Limited
Units 4307-08, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai, Hong Kong

28 July 2023

Dear Sirs,

RE: LIQUID CHEMICAL BERTH NOS. 1-6 AND OTHER RELEVANT FACILITIES, SANTUTI, DONGYING PORT, DONGYING PORT ECONOMIC DEVELOPMENT ZONE, DONGYING, SHANDONG PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA (THE “PROPERTY”)

In accordance with the instructions from Energy International Investments Holdings Limited (the “Company”) for us to value the Property held by the Company and its subsidiaries (hereinafter together referred to as the “Group”) situated in The People’s Republic of China (the “PRC”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 April 2023 (the “valuation date”) for the purpose of incorporation into the circular issued by the Company.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. The definition is in accordance with the “HKIS Valuation Standards 2020” published by the Hong Kong Institute of Surveyors.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and our valuation is prepared in accordance with the “HKIS Valuation Standards 2020” published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. According to the legal opinion dated 16 June 2023 provided to us by the Company’s PRC legal adviser, Shandong Lingxian Law Firm, the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

VALUATION METHODOLOGY

Our valuation has been made on the assumption that the owners sell the Property on the open markets without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Property.

The Property comprises 6 berths and various ancillary facilities such as harbour basins and gas, refined oil and petrochemical tanks and is leased to various port operators since its full-scale operation in May 2018. According to the information provided by the Company, the present operator of the Property (the “**Present Operator**”) commenced its lease in January 2021 and upon the expiry of the then existing lease agreement on 19 May 2023, a short-term lease agreement (the “**Short-term Lease Agreement**”) for the term commencing from 20 May 2023 and expiring on 31 July 2023 has been entered into between the Company and the Present Operator. As advised by the Company, upon expiry of the Short-term Lease Agreement, the Company expects to re-possess and self-operate 14 gas tanks (out of total 56 gas, refined oil and petrochemical tanks of the Property). Running a storage business, the Company earns its operating income through leasing out its storage tanks. Under the self-operating model, the Company expects to lease each of the 14 self-operated gas tanks directly to different end-users, being independent third party customers principally including petrochemical industry players, for the periods of at least 3 months to over 1 year (depending on customers’ needs) to generate operating income in the form of rental income. The remaining parts of the Property has been leased, on wholesale basis, to the Present Operator according to a lease agreement dated 12 July 2023 (the “**New Lease Agreement**”) for a lease term of 5 years commencing from 1 August 2023, and the Present Operator will in turn lease out individual storage tanks to different end-users.

For the valuation of market value of a property, there are three generally adopted approaches, namely Market Approach, Income Approach and Cost Approach. Market Approach involves the analysis of recent market transaction evidence of similar properties to compare with the subject property and appropriate adjustments on the differences between the comparable properties and subject property is allowed. This method is generally adopted for properties with adequate sales evidence, such as residential and office properties. Income Approach is the method converting the income stream of a property into the market value. It is most adopted and accepted for valuation of property creates rental income because purchaser and investor prefer to estimate the market value of an income producing property based on the estimated income. Cost Approach is the method that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. Cost Approach shall not be applied in a valuation unless there is no suitable market information and the subject property is not income producing.

As the Property is held by the Group for investment with rental income receivable, we have adopted Income Approach – Income Capitalisation Method in the valuation. Market Approach is not suitable for this valuation as there is no market transaction record available to carry out this valuation method. In view of the market condition and characteristic of the Property, we believe Income Approach is the appropriate and widely accepted valuation method for a rental generating assets like the Property in this valuation. This method provides an indication of value by converting future rental income to a current value of a property by capitalising the net rental incomes derived from the existing tenancies with due provision for any reversionary potential of the property at an appropriate rate. Under the Income Capitalization Method, the value of a property is arrived by capitalizing the annual rental income by a market capitalization rate, which is based on the analysis of yields of properties of similar type with the following formula:

$$\text{Market capitalization rate} = \frac{\text{(Annual rental income)}}{\text{(Property value)}} \times 100\%$$

Capitalization rates are estimated by reference to the yields generally expected by the market for comparable properties of the same type of property, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors (including but not limited to the change in occupancy rate and vacancy period for the leasing activity of a property). Therefore, the market value of the Property is arrived by capitalizing the expected annual rental income derived from the Port and Storage Facility (i.e. annual rental income derived from the lease under the New Lease Agreement and the self-operation of part of the Port and Storage Facility) by a capitalization rate. The Company has provided a 5-years forecast of the rental income and costs and expenses of the Property ended at 31 March 2028 to us. The estimated annual rental income (including the rental income excluded value-added tax (“VAT”) for the entire Port and Storage facilities (excluding 14 gas tanks which are proposed to be re-possessed by the Group for self-operation) plus the rental income excluded VAT for the 14 gas tanks proposed for self-operation) in the 5-years forecast is listed below. The Company has assumed the 14 tanks proposed for self-operation will be leased from 1 August 2023 at an utilization rate of 95% in the 5-years forecast. As advised by the Company, since the commencement of the lease of the Present Operator in January 2021, these tanks are leased by the

Present Operator to different end-users (principally petrochemical industry players) mainly for periods of 3 months to 1 year (depending on customers' needs), similar to the intended mode of operation of the tanks proposed to be self-operated by the Company. Based on the written confirmation provided by the Present Operator at the request of the Company, the monthly utilization rate for gas tanks (being the same type of tanks as those proposed to be re-possessed by the Group) operated by the Present Operator during the period from January 2021 to April 2023 ranged from 95% to 100%. The Company's management responsible for the leasing of the Port and Storage Facilities who stationed at the operation site has confirmed that the Port and Storage Facilities have been consistently running in nearly-full (i.e. 95%-100%) operation capacity (whether under the previous tenant/operator and the Present Operator) since the third quarter of 2018 (i.e. within mere several months after the commencement of full-scale commercial operation in May 2018) and up to now in a consistent manner, principally unaffected by COVID-19 between 2020 and 2022. In fact, the Company's management of the Port and Storage Facilities was notified by its previous operator/tenant that it was forced to lease extra storage tanks from nearby sites to meet the surplus demand as early as in or around mid-2019, and the demand-exceeding-supply situation continue to exist notwithstanding COVID-19 in 2020, eventually leading to the Company's decision to change the tenant from the previous operator/tenant to the Present Operator in December 2020, increasing the rent in two stages by 12% and 20%, respectively. Given that: (a) the nearly-full capacity situation has existed for nearly 5 years between the third quarter of 2018 and July 2023, showing a consistent pattern of demand exceeding supply of the tanks at the Property; (b) the average utilization rate of 95-100% was provided by the Present Operator which is an independent third party tenant having no incentive to provide any overly-optimistic figures to its own landlord; and (c) the demand and supply situation as demonstrated by the figures provided by the Present Operator is consistent with the Company's management's own observations, the Company is of the view that it is fair and reasonable to extrapolate the previous 5 years' average capacity into the expected future capacity in the forthcoming 5 year period. As explained by the Company, it considers that it is prudent to take the lower range of the historical monthly utilization rate of 95% as represented by the Present Operator to be the estimated utilization rate and then conduct sensitivity analysis of +/-5%. Having considered the Company's views by reference to their factual representation explained above, we are of the opinion that this assumption is fair and reasonable and made by the Company with due care and consideration.

For the year ending	Total rental income for the whole property (excluded VAT) (RMB)
31 March 2024	136,700,000
31 March 2025	141,600,000
31 March 2026	142,700,000
31 March 2027	143,800,000
31 March 2028	144,900,000

As explained by the Company, the estimation of the rental income is based on: (a) the rent willing to be paid by a willing tenant (being independent third party) for the entire Port and Storage Facilities following arm's length negotiation, such rent being comparable to historical rent paid by tenant (being independent third party) in the past; (b) the rent willing to be paid by the same willing tenant for the Port and Storage Facilities (with the exception of 14 gas tanks which are proposed to be re-possessed by the Group for self-operation) following arm's length negotiation; (c) the Company's research on the actual range of market rental of gas, refined oil and petrochemical tanks which is obtainable through self-operation, which is higher than the rental obtainable through leasing to the said willing tenant even assuming the lower range for the sake of prudence; (d) the Company's projection of the rental trend, based on inflation; and (e) the Company's projection of the occupancy, based on historical occupancy made known to the Company by the tenant during the tenure of the previous leasing of the Property and the New Lease Agreement. After considering the trend of rental income of the Property, the current market condition, the Short-term Lease Agreement, and the New Lease Agreement, we are in the opinion that the estimation of the rental income in the 5-years forecast is fair and reasonable.

The 5-years forecast also comprises the estimation of operating costs and expenses of the Property. As explained by the Company, the estimation of the costs and expenses is based on the historical figures with allowance of inflation. We have checked the estimation of the costs and expenses in the forecast with the historical figures and found that the estimation of the costs and expenses in the forecast is in line with the historical costs and expenses. In view of the current market condition and no significant change in the status of the Property, we believe the estimation of the costs and expenses in the forecast is fair and reasonable. We have deducted the estimated costs and expenses from the estimated gross rental income to arrive at the annual net rental income. The estimated costs and expenses adopted in the valuation is listed below.

For the year ending	Total costs and expenses for the whole property (RMB)
31 March 2024	55,300,000
31 March 2025	57,300,000
31 March 2026	58,100,000
31 March 2027	58,900,000
31 March 2028	59,700,000

The value of the Property within the forecast period is the annual net rental incomes capitalised by a capitalisation rate of 7.8%, which is based on analyses of the yields of properties of similar type in the subject location after due adjustments. Such capitalisation rate is estimated by reference to the yields generally expected by the market for comparable properties of similar type, which implicitly reflected the expectation of rental growth, capital appreciation and relevant risks. In arriving at the capitalization rate, we have made reference to market prices and rent information of appropriate comparable properties situated within close proximity to the Property and noted that the implied market capitalization rate, where gross rental income excluded VAT was used in the calculation, was approximately 11.0%. Due adjustment to the market capitalization rate of these comparable properties has then been made to reflect difference between the Property and these comparable properties in terms of marketability and uniqueness, and the inherent risk associated with investment in the Property. The capitalization rate is then adjusted by the net operating income ratio, which is calculated at 60% based on the 5-year forecast and represents the ratio between the net operating income (the difference between the gross rental income excluded VAT and the total annual costs and expenses) and the gross rental income excluded VAT.

The capitalization rate adopted in the valuation was calculated as follow:

Capitalization rate

= (market capitalization rate + adjustment) × net operating income ratio

= (11% + 2%) × 60%

= 7.8%

Therefore, we have adopted a capitalization rate of 7.8% in our valuation.

APPENDIX II VALUATION REPORT OF THE PROPERTIES OF THE GROUP

The value of the Property after the forecast period and until the end of the tenure of the Property (the “Reversionary Period”), is estimated by capitalising the estimated net annual rental income of the year after the forecast period by a terminal capitalisation rate of 4.8% (equals to the said capitalisation rate minus the annual inflation rate in the 5-years forecast) for the length of Reversionary Period and then further discounted to its present value.

A sensitivity analysis on the market value of the Property was performed, holding all other variable constant and varying only the capitalization rate and utilization rate of the 14 gas tanks proposed for self-operation as of the valuation date, as summarized below. We notice that the consequential change to the valuation as resulted from the change of utilization rate from 95% to 100% or from 95% to 90% is insignificant.

(RMB)		Utilization rate				
		100.0%	97.5%	95.0%	92.5%	90.0%
	6.8%	1,586,000,000	1,568,000,000	1,550,000,000	1,532,000,000	1,514,000,000
	7.3%	1,472,000,000	1,455,000,000	1,439,000,000	1,422,000,000	1,405,000,000
Capitalization rate	7.8%	1,370,000,000	1,355,000,000	1,339,000,000	1,324,000,000	1,308,000,000
	8.3%	1,280,000,000	1,265,000,000	1,251,000,000	1,236,000,000	1,222,000,000
	8.8%	1,198,000,000	1,185,000,000	1,171,000,000	1,158,000,000	1,144,000,000

We have carried out the following procedures to examine the 5-years forecast provided by the Company.

- (i) We have collected and studied the historical, existing and new lease agreements and discussed with the Company regarding the previous and current operation status of the Property.
- (ii) We have obtained the market information regarding the rental information for the proposed self-operated gas tanks of the Property, and considered that the expected rental revenue to be derived from the proposed self-operated gas tanks is comparable to the market figures.
- (iii) We have collected the financial documents of the operation of the Property for the 3 years ended 31 March 2023 to understand the previous rental revenue, and costs and expenses of the Property.
- (iv) We have conducted personal interview with senior staff of the Group to analysis and understand the rationale of the 5-years forecast prepared by the Company and checked against the provided information.
- (v) We have observed the operation of the Property during the site inspection.

After taking the said procedures, we believe the Company has exercised the necessary due-diligence and prepared the forecast on a reasonable basis. In addition, the Company advised that the legal representative of Shundong Port has to obtain the Certificate of Qualification on Safety Production Knowledge and Management Capability (安全生產知識和管理能力考核合格證) issued by Ministry of Emergency Management of the PRC (中華人民共和國應急管理部) in order to fulfill the regulatory requirement for the self-operation of gas tanks in the Property. The Company confirmed that the legal representative of Shundong Port has just obtained the said license in June 2023.

To sum up, we have made the following assumptions in the course of our valuation.

1. the lease agreement dated 12 July 2023 for a term of 5 years commencing from 1 August 2023 and ending on 31 July 2028 in relation to the Port and Storage Facility (excluding those part which will be self-operated by the Group) will not be terminated before the expiry of the lease period;
2. the Group will continue to maintain all the necessary licenses for the self-operation of part of the Port and Storage Facility;
3. the operation mode of the Port and Storage Facility, including the ratio between the self-operation part and the leased out part will not materially change;
4. The 14 tanks proposed for self-operation will be leased from 1 August 2023 at an utilization rate of 95% in the 5-year forecast;
5. there will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC in which the Properties is located;
6. there will be no major changes in the current taxation law in the PRC, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
7. exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing;
8. the availability of finance will not be a constraint on the forecast growth of the operations of the Port and Storage Facility and the repayment of debts and liabilities when they fall due;
9. the Group will successfully maintain the competitiveness and utilization of the Port and Storage Facility after the self-operation of part of the Port and Storage Facility;
10. the Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

11. the Group will retain and has competent management, key personnel, and specialist team to support the ongoing operations of the Port and Storage Facility;
12. any management changes or changes in ownership of the Group in the future will not have material adverse effects on the long term profitability of the operations of the Port and Storage Facility;
13. the labor market conditions will not differ materially from those presently prevailing; and
14. the covered, unexposed or inaccessible parts of the Properties which could not be inspected by the Independent Valuer are assumed to be in reasonable condition.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion dated 16 June 2023 provided by the Company's PRC legal adviser, Shandong Lingxian Law Firm, regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as specifications of the port, area information, tenancy agreements and all other relevant matters. As per instruction, we have prepared our valuation based on the area information provided by the Company. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Company and therefore are only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and have been advised by the Company that no material facts have been omitted from the information provided.

We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the Property provided by the Company. The market value of the Property is subject to numerous assumptions adopted in the prospective financial information provided by the Company. To the extent that any of these assumptions or facts changed, the result of the market value conclusion would be changed accordingly. Regarding the prospective financial information, it has been represented by the management of the Company and was assumed for the purposes of this opinion that such analysis and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of their management. We can give no assurance that such financial analysis and forecasts can be realized or that actual result will not vary materially from those projected. The Company has

reviewed the forecast provided to us and considered that it is achievable and reasonable. The Company understood that if the actual result is significantly different from the forecast provided, our valuation result will be changed significantly and we have relied significantly on the forecast provided to arrive our opinion of value.

SITE INSPECTIONS

Site inspection of the Property was carried out by Ms Huang Yan Jun (BSc in Real Estate Management) in May 2023. We have inspected the exterior and, where possible, the interior of the Property. We have not inspected those parts of the Property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

POTENTIAL TAX LIABILITY

As provided by the Company, the potential tax liability at an amount of approximately RMB196 million would arise if the Property was to be sold at the market value as at the valuation date. As the Company has no intention or plan to sell the Property, the likelihood for this tax liability to be crystallised is very low.

INDEPENDENCY

We do not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2023 (being the date to which the latest published audited financial statements of the Company were made up) and do not have any securities or direct or indirect shareholding interest in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

We are an independent and qualified valuer for this valuation as required under Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs published by the Securities & Futures Commission.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited

Pang Kin Fai
MHKIS, MRICS, RPS (GP)
Director

Note: Mr. Pang Kin Fai is a Registered Professional Surveyor in General Practice Division with over 26 years valuation experience on properties in Hong Kong and the PRC.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2023
Liquid Chemical Berth Nos. 1-6 and other relevant facilities, Santuti, Dongying Port, Dongying Port Economic Development Zone, Dongying, Shangdong Province, PRC	<p>The Property includes 6 liquid chemical berths and their relevant harbour basins, fairways and oil tank areas, ancillary buildings and structure and their corresponding sea area use rights.</p> <p>According to the information provided by the Company, the total area of the sea area of the Property is 66.6328 ha., which comprises construction reclamation land (建設填海造地) of 28.0939 ha., permeable structures (透水構築物) of 3.4988 ha. and harbour basin (港池) and water retaining area (蓄水) of 35.0401 ha.</p> <p>The expiry dates of the sea area use rights will be 12 November 2064 and 22 February 2066 respectively.</p>	<p>As at the valuation date, the Property was subject to a tenancy for a term expiring on 19 May 2023 with an annual rent of RMB150,000,000 as at the valuation date.</p> <p>Upon the expiry of the said tenancy, the Property is subject to a tenancy for a term commencing from 20 May 2023 and expiring on 31 July 2023 at a monthly rent of RMB12,500,000.</p> <p>The Property, excluding 14 gas tanks which are proposed to be re-possessed by the Group for self-operation, is subject to a tenancy for a term of 5 years commencing from 1 August 2023 at a monthly rent of RMB9,600,000.</p>	RMB1,339,000,000

APPENDIX II VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Notes:

1. Pursuant to the following two Realty Title Certificates issued by 東營市自然資源及規劃局, the registered owner of the sea area use rights is 山東順東港務有限公司 (“**Shundong Port**”) (a non-wholly owned subsidiary of the Company). The details are listed as follows:

Location	Registration No.	Type of Right	Area of	
			Sea Plot	Expiry Date
Northeastern area of Dongying, southwestern coastal area of Bohai	魯(2022)東營市不動權第0001553號	Rights to use sea area	28.0939 ha.	13 November 2064
Northeastern area of Dongying, southwestern coastal area of Bohai	魯(2022)東營市不動權第0014765	Rights to use sea area	38.5389 ha.	22 February 2066

2. Pursuant to the Port Operational Registration Form (港口服務經營備案登記表) – 370502-2021-008 issued by 東營市交通運輸局 dated 26 March 2022, Shundong Port was permitted to carry on the rental business of port facilities, equipment and machinery for the Property. The expiry date is 25 March 2024.
3. We have been provided with a legal opinion on the Property dated 16 June 2023 issued by the Company’s PRC legal adviser, which contains, *inter alia*, the followings:
- i. Shundong Port has legally obtained the sea area use rights of the Property and is the registered owner of sea area use rights and the fixture, ancillary facilities and equipment located thereon;
 - ii. Shundong Port is entitled to occupy, use, earn from, dispose of (including but not limited to transfer or lease) the Property legally;
 - iii. the sea area use rights under Realty Title Certificate 魯(2022)東營市不動權第0001553號 is subject to a mortgage in favour of Dongying Bank Company Limited (東營銀行股份有限公司); and
 - iv. except the mortgage stated above, there is no restriction for Shundong Port to sell, transfer and mortgage of the Property and the Property is free from other encumbrances such as sealing, freezing, compulsory expropriation and litigation.

**APPENDIX III REPORT FROM CROWE (HK) CPA LIMITED ON THE FORECAST
UNDERLYING THE VALUATION ON THE GROUP'S PROPERTIES**

The following is the text of a report from Crowe (HK) CPA Limited, the reporting accountant of the Company, for the purpose of incorporation in this circular.



國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

28 July 2023

The Board of Directors
Energy International Investments Holdings Limited
Units 4307-08, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs

**Energy International Investments Holdings Limited (the “Company”) and its subsidiaries
(collectively referred to as the “Group”)**

Profit Forecast for the period from 1 May 2023 to 31 March 2028

We refer to the forecast of the Group’s profit for the period from 1 May 2023 to 31 March 2028 (the “**Profit Forecast**”) set forth in the valuation of investment properties of the Group as at 30 April 2023 (the “**IP Valuation**”) as included in the circular dated 28 July 2023.

Directors’ Responsibilities

The Profit Forecast has been prepared by the directors of the Company, which is adopted by the directors of the Company on the IP Valuation, based on a forecast of the consolidated results of the Group for the period from 1 May 2023 to 31 March 2028.

The Company’s directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “*Code of Ethics for Professional Accountants*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “*Quality Management for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the directors of the Company have compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors of the Company and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors of the Company as set out in the underlying calculation of the IP Valuation and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements for the year ended 31 March 2022 included in the 2021/2022 annual report of the Company dated 27 July 2022, and those relevant amendments to Hong Kong Financial Reporting Standards mandatorily effective and adopted by the Group for the year ended 31 March 2023 as set out in the published consolidated financial statements for the six months ended 30 September 2022 included in the 2022/2023 interim report of the Company dated 28 November 2022.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong

Chan Wing Fai
Practising Certificate Number P07327

The following is the text of a report from Astrum, the financial adviser of the Company, for the purpose of incorporation in this circular.



28 July 2023

The Board of Directors
Energy International Investments Holdings Limited
Units 4307-08, Office Tower
Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecast (the “**Forecast**”) underlying the valuation (the “**Valuation**”) prepared by APAC Asset Valuation and Consulting Limited (the “**Independent Valuer**”) in relation to the market value of the properties (the “**Properties**”) held by Energy International Investments Holdings Limited (the “**Company**”) as at 30 April 2023. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in the circular of the Company dated 28 July 2023 (the “**Circular**”).

We note that the Valuation, which is developed based on, among other things, the Forecast, is regarded as profit forecast under Rule 10 of the Takeovers Code. We have reviewed the Valuation, which is developed on, among other things, (i) the monetary benefits of income and reversion to be generated from the Properties; and (ii) the conversion of the estimated annual income expectancy into an indication of the present value of the Properties by dividing the income estimate by appropriate yield rate of properties.

Furthermore, our report on the qualifications and experience of the Independent Valuer to prepare the Valuation is required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us.

We have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Valuation and were given to understand that the Valuation is arrived at based on the following assumptions:

1. the lease agreement dated 12 July 2023 for a term of 5 years commencing from 1 August 2023 and ending on 31 July 2028 in relation to the Port and Storage Facility (excluding those part which will be self-operated by the Group) will not be terminated before the expiry of the lease period;
2. the Group will continue to maintain all the necessary licenses for the self-operation of part of the Port and Storage Facility;
3. the operation mode of the Port and Storage Facility, including the ratio between the self-operation part and the leased out part, will not materially change;
4. The 14 tanks proposed for self-operation will be leased from 1 August 2023 at an utilization rate of 95% in the 5-year forecast;
5. there will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC in which the Properties is located;
6. there will be no major changes in the current taxation law in the PRC, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
7. exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing;
8. the availability of finance will not be a constraint on the forecast growth of the operations of the Port and Storage Facility and the repayment of debts and liabilities when they fall due;
9. the Group will successfully maintain the competitiveness and utilization of the Port and Storage Facility after the self-operation of part of the Port and Storage Facility;
10. the Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;
11. the Group will retain and has competent management, key personnel, and specialist team to support the ongoing operations of the Port and Storage Facility;
12. any management changes or changes in ownership of the Group in the future will not have material adverse effects on the long term profitability of the operations of the Port and Storage Facility;

13. the labor market conditions will not differ materially from those presently prevailing;
and
14. the covered, unexposed or inaccessible parts of the Properties which could not be inspected by the Independent Valuer are assumed to be in reasonable condition.

In respect of the assumption regarding the utilization rate of 14 gas tanks proposed for self-operation by the Group from 1 August 2023 in the 5-year forecast, we have enquired with the management of the Company and were advised that under the self-operating model, the Company expects to lease each of the 14 Self-operated Gas Tanks directly to different end-users, being independent third party customers principally including petrochemical industry players, for the period of at least three months to over one year (depending on respective customers' needs), which is similar to the business model of the present operator (the "**Present Operator**"). The Company's management responsible for the leasing of the Port and Storage Facilities who stationed at the operation site has confirmed that the Port and Storage Facilities have been consistently running in nearly-full (i.e. 95%-100%) operation capacity (whether under the previous tenant/operator and the Present Operator) since the third quarter of 2018 (i.e. within mere several months after the commencement of full-scale commercial operation in May 2018) and up to now in a consistent manner, principally unaffected by COVID-19 between 2020 and 2022. In fact, the Company's management of the Port and Storage Facilities was notified by its previous operator/tenant that it was forced to lease extra storage tanks from nearby sites to meet the surplus demand as early as in or around mid-2019, and the demand-exceeding-supply situation continue to exist notwithstanding COVID-19 in 2020, eventually leading to the Company's decision to change the tenant from the previous operator/tenant to the Present Operator in December 2020, increasing the rent in two stages by 12% and 20%, respectively. Given that: (a) the nearly-full capacity situation has existed for nearly 5 years between the third quarter of 2018 and July 2023, showing a consistent pattern of demand exceeding supply of the tanks at the Property; (b) the average utilization rate of 95-100% was provided by the Present Operator which is an independent third party tenant having no incentive to provide any overly-optimistic figures to its own landlord; and (c) the demand and supply situation as demonstrated by the figures provided by the Present Operator is consistent with the Company's management's own observations, the Company is of the view that it is fair and reasonable to extrapolate the previous 5 years' average capacity into the expected future capacity in the forthcoming 5-year period. Having considered the Company's views by reference to their factual representation explained above, we consider that the assumption regarding the utilization rate of 14 gas tanks was made after due care and consideration.

In respect of the capitalization rate, the Independent Valuer has made reference to market capitalization rate derived from the recent market prices and rent information of comparable properties situated within close proximity to the subject location of the Property and noted that the implied market capitalization rate, where gross rental income excluded VAT was used in the calculation, was approximately 11.0%. Due adjustment to the market capitalization rate of these comparable properties has then been made to reflect difference between the Property and these comparable properties in terms of marketability and uniqueness, and the inherent risk associated with investment in the Property. The capitalization rate is then adjusted by the net operating income ratio, which is calculated at 60% based on the 5-year forecast and represents the ratio between the net operating income (the difference between the gross rental income excluded VAT and the total annual costs and expenses) and the gross rental income excluded VAT. We have obtained the details of the comparable properties from the Independent Valuer and cross-checked (i) the calculation of the yield rates of such comparable properties; and (ii) the calculation of the capitalization rate. In view of the above, we consider that the capitalization rate adopted in the Valuation was arrived after due care and consideration.

After our discussion with the management of the Company and the Independent Valuer, we consider that the assumptions were adopted by the Independent Valuer after due care and consideration.

We have also reviewed the letter issued by Crowe (HK) CPA Limited dated 28 July 2023 as set out on pages III-1 to III-3 of the Circular containing its opinion on whether the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the bases and assumptions adopted by the directors of the Company (the “**Directors**”) as set out in the underlying calculation of the Valuation and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

With regard to the qualifications and experience of the Independent Valuer, based on the review work conducted by us, which includes reasonableness checks to assess the relevant experience and expertise of the Independent Valuer, review and discussion with the Independent Valuer of the qualifications, experience, expertise and relevant track records of the Independent Valuer, we are satisfied that the Independent Valuer is a suitably qualified and experienced professional valuer to compile the Valuation.

On the basis of the foregoing and the opinion of Crowe (HK) CPA Limited, we are of the opinion that the Forecast underlying the Valuation, for which the Directors are solely responsible, has been made after due care and consideration.

Our opinion has been given for the sole purpose of compliance with Rule 10 of the Takeovers Code.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan
Managing Director

1. RESPONSIBILITY STATEMENT

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

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

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date (other than the issue of the Subscription Shares)) is as follows:

HK\$

Authorised share capital:

(i) 150,000,000,000 Shares as at the Latest Practicable Date 1,500,000,000.00

Issued and fully paid share capital or credited as fully paid:

720,562,890	Shares as at the Latest Practicable Date	7,205,628.90
360,000,000	Subscription Shares to be issued upon	3,600,000.00
	Completion	
Immediately upon allotment and issue of		
(ii) 1,080,562,890	the Subscription Shares	10,805,628.90

All the Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. Save for the Subscription Shares to be issued under the Subscription, the Company had not issued any Shares since 31 March 2023 (being the date to which the latest published audited financial statements of the Company were made up) and up to and including the Latest Practicable Date.

No application is being made or is currently proposed or sought for the Shares or the Subscription Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of the Stock Exchange for each calendar month during the Relevant Period; (ii) the date of the Subscription Agreement; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
31 October 2022	0.400
30 November 2022	0.860
30 December 2022	0.780
31 January 2023	0.960
28 February 2023	1.140
31 March 2023	0.610
28 April 2023 (being the date of the Subscription Agreement)	0.440
31 May 2023	0.500
30 June 2023	0.610
26 July 2023 (being the Latest Practicable Date)	0.670

The lowest and highest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.335 on 4 November 2022 and HK\$1.560 on 13 February 2023 and 14 February 2023, respectively.

4. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules, are set out below:

Long position in the Shares and underlying shares of the Company

Name of Director	Nature of interest	Number of issued Shares held	Approximate percentage shareholding of issued share capital of the Company
Mr. Cao	Interest of controlled corporation	575,431,372 (Note)	79.86%
Mr. Liu	Other	575,431,372 (Note)	79.86%

Note:

The deemed interest in these 575,431,372 Shares comprises: (a) 215,431,372 Shares held by Giant Crystal, a 100% legally and beneficially owned controlled corporation of the Subscriber; and (b) 360,000,000 Shares conditionally agreed to be acquired by the Subscriber under the Subscription Agreement. The Subscriber is legally and beneficially owned as to 50% by Mr. Cao (an executive Director), 20% by Mr. Liu (an executive Director) and 30% by Mr. Hu. The deemed interest under Part XV of the SFO of Mr. Cao, Mr. Liu and the Subscriber duplicate with each other completely, and their deemed interest in 215,431,372 Shares owned by Giant Crystal duplicate with that of Giant Crystal.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' interests and short positions in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, so far as any Directors are aware based on the filings under Disclosure of Interest under Part XV of the SFO retrieved by the Company from public records, persons (other than the Directors or chief executives of the Company) who have interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long position in the Shares and underlying shares of the Company

Name of Shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of issued share capital of the Company
The Subscriber	Beneficial owner, and interest of controlled corporation	575,431,372 (Note)	79.86%
Giant Crystal	Beneficial owner	215,431,372 (Note)	29.90%

Note:

The deemed interest in the 575,431,372 Shares deemed to be interested by the Subscriber comprises: (a) 215,431,372 Shares held by Giant Crystal, a 100% legally and beneficially owned controlled corporation of the Subscriber; and (b) 360,000,000 Shares conditionally agreed to be acquired by the Subscriber under the Subscription Agreement. The Subscriber is legally and beneficially owned as to 50% by Mr. Cao (an executive Director), 20% by Mr. Liu (an executive Director) and 30% by Mr. Hu. The deemed interest under Part XV of the SFO of Mr. Cao, Mr. Liu and the Subscriber duplicate with each other completely, and their deemed interest in 215,431,372 Shares owned by Giant Crystal duplicate with that of Giant Crystal.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or pursuant to Section 336 of the SFO, which would have to be recorded in the register referred to therein, or the Takeovers Code.

5. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, other than 215,431,372 Shares held by the Subscriber and parties acting or presumed to be acting in concert with it as disclosed in the section headed “CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the Letter from the Board contained in this circular and all the transactions contemplated under the Subscription Agreement as disclosed in the section headed “THE SUBSCRIPTION AGREEMENT” in the Letter from the Board contained in this circular, neither the Subscriber nor any of parties acting or presumed to be acting in concert with it:

- (i) holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company nor has entered into any outstanding derivatives in respect of the securities in the Company;
- (ii) has any agreement, arrangement or understanding pursuant to which the Subscription Shares would be transferred, charged or pledged to any other persons;
- (iii) has secured any irrevocable commitment from any Independent Shareholders to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (iv) has any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (v) has any agreement or arrangement to which the Subscriber or any of parties acting or presumed to be acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;

- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) has any agreement, arrangement or understanding (including any compensation arrangement) between (a) the Subscriber and parties acting or presumed to be acting in concert with it and (b) any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (viii) has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any party acting in concert with it in connection with the Subscription, save for the aggregate Subscription Price;
- (ix) has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with the Company or any party acting in concert with it, save for the Subscription Agreement; and
- (x) has entered into any understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

As at the Latest Practicable Date,

- (i) save for the Subscription Agreement, there is no other understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholders and (b) the Company, its subsidiaries or associated companies;
- (ii) the Company had no shareholding interest or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Subscriber, nor had the Company dealt for value in any shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;
- (iii) save for the fact that the Subscriber was legally and beneficially owned as to 50% by Mr. Cao (an executive Director), 20% by Mr. Liu (an executive Director) and 30% by Mr. Hu, and those as disclosed in the paragraph headed “4. DISCLOSURE OF INTERESTS” in this appendix, none of the Directors or any persons acting in concert with them was interested in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and in any shares or other securities of the Subscriber. During the Relevant Period, none of the Directors or any persons acting in concert with them had dealt for value in any shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber;

- (iv) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers;
- (v) no person had any arrangement of the kind as described to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code;
- (vi) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vii) Giant Crystal (wholly-owned by the Subscriber, deemed to be interested by two Directors, Mr. Cao and Mr. Liu, and holding 215,431,372 Shares representing approximately 29.90% of the issued share capital of the Company as at the Latest Practicable Date) is deemed to be involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver and is required to abstain from voting on the relevant resolutions at the EGM. Save and except for Giant Crystal, there are no other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver or are required, or indicated to the Company of his/her/its intention, to abstain from voting in the relevant resolutions at the EGM;
- (viii) neither the Company nor any of the Directors has borrowed or lent any shares and/or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ix) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (x) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver or otherwise connected with any of them; and

- (xi) save for the Subscription Agreement, there was no material contract which have been entered into by the Subscriber in which any Director has any a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contracts 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 6 months before the date of the Announcement and up to the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Director	Commencement date	Term of service	Amount of remuneration payable under the service agreement	Amount of variable remuneration/fee (e.g. commission on profit) payable under the service agreement
Mr. Luo Yingnan	4 April 2023	1 year	HK\$20,000 per month	N/A

7. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 March 2023, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Luo Yingnan was appointed as an executive Director with effect from 4 April 2023. Since his date of appointment and up to the date of this circular, Mr. Luo held majority shareholding and directorship in Fuhai Group New Energy Holdings Co., Ltd. (富海集團新能源控股有限公司) (“**Fuhai Group**”), an enterprise in China which is engaged in petrochemical and energy businesses, and Fuhai Oil Pte. Ltd (“**Fuhai Singapore**”), an enterprise in Singapore which is also engaged in petrochemical and energy businesses. In this regard, the Company was notified by Mr. Luo that his role in Fuhai Group is supervisory in nature and he did not take part in daily operations. Regarding Fuhai Singapore, as the Company does not operate any business in Singapore, the Company is of the view that Mr. Luo’s shareholding and directorship in Fuhai Singapore is unlikely to result in any actual competition with the Group’s businesses. That having said, the Company has obtained an undertaking from Mr. Luo, under which he undertook to notify the Company of potential conflict of interest if it ever arises, and that he will refer any relevant business opportunity to the Group in priority to any other party including Fuhai Group or Fuhai Singapore for so long he occupies directorship in the Company.

As at the Latest Practicable Date, save as disclosed above, no other Directors were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined by the Listing Rules, other than those businesses of which the Directors have been appointed as Directors to represent the interests of the Company and/or of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the members of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, which are or may be material:

- (i) the supplemental agreement entered into between Great Trade Global Limited (“**Great Trade**”), a wholly-owned subsidiary of the Company, Giga Treasure Limited (“**Giga Treasure**”), Ace Jumbo Ventures Limited (“**Ace Jumbo**”) and Mr. Hu Song dated 31 May 2021 in relation to the extension of the long stop date of the acquisition agreement dated 24 November 2020 regarding the acquisition of the entire issued share capital of Ace Jumbo by Great Trade from Giga Treasure (the “**2020 Acquisition Agreement**”) to 30 June 2021 (or such later date as may be agreed between the parties to the agreement);

- (ii) the acquisition agreement (the “**2021 Acquisition Agreement**”) entered into between 蘭陵寶新能源投資有限公司 (Nanning Baoxin New Energy Investment Co., Ltd.*) (“**Nanning Baoxin**”), an indirect wholly-owned subsidiary of the Company, 青島和泰達建築工程有限公司 (Qingdao Hetaida Building Works Co., Ltd.*) (“**Qingdao Hetaida**”) and Shundong Port dated 22 June 2021 in relation to the acquisition of RMB40,000,000 or approximately 9.92% of the registered capital of Shundong Port by Nanning Baoxin from Qingdao Hetaida;
- (iii) the supplemental agreement entered into between Great Trade, Giga Treasure, Ace Jumbo and Mr. Hu Song dated 30 June 2021 in relation to the further extension of the long stop date of the 2020 Acquisition Agreement from 30 June 2021 to 31 July 2021 (or such later date as may be agreed between the parties to the agreement);
- (iv) the supplemental agreement entered into between Great Trade, Giga Treasure, Ace Jumbo and Mr. Hu Song dated 30 July 2021 in relation to the further extension of the long stop date of the 2020 Acquisition Agreement from 31 July 2021 to 31 December 2021 (or such later date as may be agreed between the parties to the agreement);
- (v) the termination agreement entered into between Nanning Baoxin, Qingdao Hetaida and Shundong Port dated 17 June 2022 in relation to the termination of the 2021 Acquisition Agreement;
- (vi) the acquisition agreement entered into between Mid-Ocean Hong Kong Investment Limited (中海香港投資有限公司)(“**Mid-Ocean**”), an indirect wholly-owned subsidiary of the Company, 山東不凡商貿有限公司 (Shandong Bufan Trading Co. Ltd.*) (“**Shandong Bufan**”) and Shundong Port dated 24 June 2022 in relation to the acquisition of RMB18,958,403 of the registered capital of Shundong Port by a direct wholly-owned subsidiary of Mid-Ocean from Shandong Bufan for the total cash consideration of RMB86,000,000;
- (vii) the settlement agreement (the “**2022 Settlement Agreement**”) entered into between Cheerful Dragon Limited (“**Cheerful Dragon**”), a wholly-owned subsidiary of the Company, Mr. Pu Lu (濮璐)(“**Mr. Pu**”) and Ever Rosy Ventures Limited (“**Ever Rosy**”) dated 24 June 2022 in relation to the unwinding of the acquisition agreement dated 21 October 2019 regarding the acquisition of the entire issued share capital of Ever Rosy, and all the shareholders’ loan owing by Ever Rosy to Mr. Pu, by Cheerful Dragon from Mr. Pu;
- (viii) the supplemental settlement agreement entered into between Cheerful Dragon, Mr. Pu and Ever Rosy dated 29 March 2023 in relation to the amendment to the repayment schedule of the balance payment under the 2022 Settlement Agreement;

- (ix) the Subscription Agreement; and
- (x) the Supplemental Agreement.

10. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

1. In late 2019, the Group completed its acquisition of Ever Rosy Ventures Limited (“**Ever Rosy**”) through which the Group held 28% effective interest of Tai’an Wanyue Real Estate Company Limited (“**Tai’an Wanyue**”), which is engaged in a real estate property project situated at Daiyue District, Tai’an City, Shandong Province, the PRC (the “**2019 Acquisition**”). After completion, the financial and operational performance of Tai’an Wanyue under-performed as compared to the Group’s expectation, as the property project experienced construction delay due to the outbreak of COVID-19 pandemic. In September 2021, the Group commenced legal action in the High Court of Hong Kong against (*inter alia*) the vendor (the “**Litigation**”) of the 2019 Acquisition (the “**Vendor**”) to apply for (*inter alia*) an order to have the acquisition agreement set aside and any consideration already paid to be fully refunded. On 17 June 2022, the Vendor surrendered the promissory notes in the aggregate face value of RMB110,500,000 to the Group for cancellation, thereby reducing the consideration of the 2019 Acquisition. On 24 June 2022, the Group, the Vendor and Ever Rosy agreed on the terms of settlement agreement of the Litigation (the “**2022 Settlement Agreement**”) on non-admission of liabilities basis and in full and final settlement of all claims under the proceedings of the Litigation.
2. As disclosed in the Company’s 2015 annual report, the Board found out that in 2010, the exploration licence held by Qinghai Forest Source Mining Industry Developing Company Limited (“**QHFSMI**”) had been transferred to Inner Mongolia Xiao Hong Shan Yuen Xian Mining Industry Company Limited (內蒙古小紅山源森礦業有限公司)(“**Yuen Xian Company**”) without the Company’s knowledge, consent or approval (the “**Change of Exploration Right Agreement**”). Since then, the Group had commenced legal proceedings (the “**Mining Litigations**”) against Yuen Xian Company with the view to invalidating the Change of Exploration Right Agreement dated 11 November 2009 (which caused the loss of the exploration license by QHFSMI) and seeking to regain the control of QHFSMI and the exploration license.

In the past few years, the Group suspended its exploration and mining business pending the outcome of the Mining Litigations. As announced by the Company on 11 June 2015, 12 June 2015 and 9 March 2016, the Higher People's Court of Qinghai Province had made a final judgment that the change of exploration right agreement was between QHFSMI and Yuen Xian Company was invalid and the Qinghai Province People's Procuratorate had expressed its "no-support" as to the review of the abovementioned final judgement, respectively. Following the conclusion of the Mining Litigations, the Company has appointed the legal advisers in the PRC to enforce the judgement to uphold the Group's right. In the event that the Group could regain the control of QHFSMI, the Group will be in the position to have access to the relevant exploration and mining license and thereafter the Group will perform due diligence review on the mining site. The Group is conducting regular re-assessment on the progress made by its legal advisers and the prospect of the Group's mining segment from time to time.

11. EXPENSES

The expenses in connection with the Subscription and the Whitewash Waiver, including but not limited to professional fee, application fee for the Whitewash Waiver and the listing of, and permission to deal in, the Subscription Shares, printing and translation, are estimated to be approximately HK\$3.0 million, which are payable by the Company.

12. CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong
Authorised representatives	Mr. Cao Sheng House 7, No. 201 Ningxia Road Shinnan District, Qingdao City Shandong Province, China Mr. Chong Ching Hoi Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong

Legal advisers to the Company	<p><u><i>As to Hong Kong Law:</i></u> C.L. Chow & Mackision Chan, Solicitors 21st Floor and Room 301 Tesbury Centre No.28 Queen's Road East Hong Kong</p> <p>Lawrence Chan & Co. Unit 2801-05, 28th Floor China Insurance Group Building 141 Des Voeux Road Central Hong Kong</p> <p><u><i>As to Cayman Islands Law:</i></u> Conyers Dills & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central, Hong Kong</p> <p><u><i>In respect of the Subscription and the Whitewash Waiver:</i></u> Lawrence Chan & Co. Unit 2801-05, 28th Floor China Insurance Group Building 141 Des Voeux Road Central Hong Kong</p>
Auditor and reporting accountant	<p>Crowe (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong</p>
Financial adviser to the Company	<p>Astrum Capital Management Limited Room 2704, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty, Hong Kong</p>

Independent Financial Adviser to the Independent Board Committee	Red Sun Capital Limited Room 310, 3/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	DBS Bank (HK) Limited Dongying Bank Co., Ltd
Company Secretary	Mr. Chong Ching Hoi (<i>Note</i>)

Note: Mr. Chong Ching Hoi is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

13. PARTICULARS OF DIRECTORS

Particulars of the Directors are set forth below:

Name	Address
<i>Executive Directors</i>	
Mr. Cao Sheng	House 7, No. 201 Ningxia Road Shinnan District, Qingdao City Shandong Province, China
Mr. Liu Yong	Room 302, Unit 1, Block 19 125 Huaihe Road, Dongying District, Dongying City Shandong Province, China
Mr. Chan Wai Cheung Admiral	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong

Name	Address
Mr. Lan Yongqiang	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong
Mr. Shi Jun	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong
Mr. Luo Yingnan	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong

***Independent non-executive
Directors:***

Mr. Tang Qingbin	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong
Mr. Wang Jinghua	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong
Mr. Fung Nam Shan	Units 4307-08, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong

Executive Directors

Mr. Cao Sheng, aged 50, was appointed as an executive Director in March 2018 and as the Chairman of the Board in April 2022. He graduated from Shandong Academy of Governance in 1999 majoring in Economics and Management. Mr. Cao has many years of management experience in China in the industries of vessel and offshore platform engineering and business consultancy.

Mr. Liu Yong, aged 48, was appointed as an executive Director and the chief executive officer of the Company in April 2022. He studied a correspondence course in Transportation Financial Accounting with Xi'an Highway University (now known as Chang'an University) in 1994 to 1997. Mr. Liu has extensive financial and management experiences in government authorities and privately owned enterprises in the PRC.

Mr. Chan Wai Cheung Admiral, aged 50, was appointed as an independent non-executive Director in March 2012 and was re-designated as an executive Director in November 2013. He was also appointed as the company secretary of the Company from November 2016 to August 2022. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in the accounting and auditing fields. Mr. Chan is an independent non-executive director of Zhong Ao Home Group Limited (stock code: 1538), which is listed on the Main Board (“**Main Board**”) of the Stock Exchange. He was an independent non-executive director of each of China Water Affairs Group Limited (stock code: 855), which is listed on the Main Board, from January 2020 to November 2022; SFund International Holdings Limited (stock code: 1367), which was listed on the Main Board, from November 2016 to August 2022; and Century Energy International Holdings Limited (stock code: 8132), which is listed on GEM (“**GEM**”) of the Stock Exchange, from March 2020 to August 2021.

Mr. Lan Yongqiang, aged 55, was appointed as an independent non-executive Director in July 2014 and was re-designated as an executive Director in December 2014. Mr. Lan was the Chairman of the Board from March 2018 to April 2022. He holds a Bachelor of Laws Degree from Lanzhou University. Mr. Lan has extensive experience in investment, mergers and acquisitions as well as in the business of public listing laws. Mr. Lan was a director of Jinhui Liquor Co., Ltd. (stock code: 603919), which is listed on the Shanghai Stock Exchange from October 2012 to October 2020. Mr. Lan was a director and the chairman of Guangdong Golden Dragon Development Inc. (stock code: 000712), which is listed on the Shenzhen Stock Exchange from July 2016 to June 2018; an independent director of Top Score Fashion Co., Ltd. (stock code: 603608), which is listed on the Shanghai Stock Exchange, from May 2015 to May 2018; and a director of Shenzhen Kangmei Biotechnology Co., Ltd. (stock code: 835541), which is quoted on the National Equities Exchange and Quotations System (the New Third Board) from May 2008 to May 2020.

Mr. Shi Jun, aged 52, was appointed as an executive Director in April 2022. He studied Chemical Equipment and Machinery and obtained a bachelor’s degree from Shandong University of Technology (now known as Shandong University) in 1993. Mr. Shi is an entrepreneur investing in automobile 4S stores in Dongying City, Shandong Province, the PRC. He was a member of the Dongying Committee of Chinese People’s Political Consultative Conference from 2006 to 2017. Mr. Shi is also the vice president of Dongying Automobile Dealers Association since December 2010.

Mr. Luo Yingnan, aged 33, was appointed as an executive Director in April 2023. He obtained a degree of Master of Finance in 2015 and a degree of Bachelor of Business Administration in 2013, both from the University of Cincinnati, the United States. After his graduation, Mr. Luo worked as a manager at a fund management company in China. He then worked as a business manager of the strategic customer department of one of the big-four state-owned asset management company in China. In 2019, Mr. Luo joined a sizeable enterprise in China accredited as Top 500 Enterprise in China in 2022 principally engaged in petrochemical and energy businesses, during which Mr. Luo acted as a director and was primarily responsible for overseeing its business in Singapore and top-level corporate management.

Independent non-executive Directors

Mr. Tang Qingbin, aged 59, was appointed as an independent non-executive Director in January 2019. He holds a Bachelor of Economics degree from Shandong Economics College. Mr. Tang is registered as a member of the Chinese Institute of Certified Public Accountants and has over 20 years of experience in the accounting and auditing field in China. He is currently an independent non-executive director of Shandong Molong Petroleum Machinery Company Limited (stock code: 568), a company listed on the Main Board. He is also an independent director of Luxin Venture Capital Group Co., Ltd. (stock code: 600783), a company listed on the Shanghai Stock Exchange.

Mr. Wang Jinghua, aged 41, was appointed as an independent non-executive Director in July 2011. He graduated from the University of Exeter, the United Kingdom. He holds two Bachelor of Arts degrees with major in Internet Computing and Economics & Finance and a Master of Science degree with International Management. From 2009, Mr. Wang acted as a General Manager Assistant in China Western Holdings Co., Ltd. He has most experience in the investment program and contract in the urban construction project.

Mr. Fung Nam Shan, aged 46, was appointed as an independent non-executive Director in May 2015. Mr. Fung holds a bachelor's degree in commerce awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. Fung is an independent non-executive director of JH Educational Technology INC. (currently listed on the Main Board (stock code: 1935)). He is the company secretary of Seamless Green China (Holdings) Limited, a company listed on GEM (stock code: 8150). He is the company secretary of Thelloy Development Group Limited (currently listed on the Main Board (stock code: 1546)). Mr. Fung was an independent non-executive director of China Fortune Investments (Holding) Limited, which was listed on GEM (stock code: 8116), during the period from August 2021 to September 2021. He was the joint company secretary of Future Bright Mining Holdings Limited (currently listed on the Main Board (stock code: 2212)), during the period from November 2015 to October 2016 and the company secretary and authorised representative of each of China Ocean Group Development Limited (currently listed on GEM (stock code: 8047)), during the period from May 2015 to May 2017, MH Development Limited, which was listed on the Main Board (stock code: 2662), during the period from February 2016 to August 2021, China Supply Chain Holdings Limited (currently listed on the Main Board (stock code: 3708)), during the period from March 2016 to July 2021, and Yues International Holdings Group Limited (currently listed on the Main Board (stock code: 1529)), during the period from June 2021 to June 2022.

Mr. Fung was employed as financial controller and company secretary of South China Assets Holdings Limited, which was listed on GEM (stock code: 8155) from February 2011 to April 2013. Mr. Fung served for a reputable property development group as financial controller from 2009 to 2011. He worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

14. EXPERTS AND CONSENTS

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

Name	Qualification
Astrum Capital Management Limited	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Red Sun Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Crowe (HK) CPA Limited	Certified Public Accountants
APAC Asset Valuation and Consulting Limited	an independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been acquired or disposed of or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2023 (being the date to which the latest published audited financial statements of the Company were made up).

15. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- (b) The head office and principal place of business of the Company in Hong Kong is located at Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road, Hong Kong.
- (c) The secretary of the Company is Mr. Chong Ching Hoi who is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The addresses of the Subscriber and parties acting or presumed to be acting in concert with it are as below:

Name	Address
The Subscriber	Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands
Giant Crystal	Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands
Mr. Cao	House 7, No. 201 Ningxia Road Shinnan District, Qingdao City Shandong Province, China
Mr. Liu	Room 302, Unit 1, Block 19 125 Huaihe Road, Dongying District, Dongying City Shandong Province, China
Mr. Hu	Room 301, Unit 1, Block 3 No. 16 Zibo Road Dongying District, Dongying City Shandong Province, China

- (f) The directors of the Subscriber are Mr. Cao and Mr. Liu.

- (g) The Independent Financial Adviser is Red Sun Capital Limited and its registered office is situated at Room 310, 3/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.
- (h) This circular and the accompanying form of proxy have been prepared in English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Stock Exchange (www.hkexnews.hk), the SFC (www.sfc.hk) and the Company (<http://website.energyintinv.wisdomir.com>) for a period of not less than 14 days from the date of this circular up to and including the date of EGM:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Subscriber;
- (c) the “Letter from the Board”, the text of which is set out on pages 7 to 24 of this circular;
- (d) the “Letter from the Independent Board Committee”, the text of which is set out on pages 25 to 26 of this circular;
- (e) the “Letter from the Independent Financial Adviser”, the text of which is set out on pages 27 to 64 of this circular;
- (f) the Annual Report 2019, the Annual Report 2020/21 and the Annual Report 2021/22;
- (g) the Annual Results Announcement 2022/23;
- (h) the property valuation report prepared by APAC Asset Valuation and Consulting Limited, the text of which is set out in Appendix II to this circular;
- (i) the report from Crowe (HK) CPA Limited on the forecast underlying the valuation on the Group’s properties, the text of which is set out in Appendix III to this circular;
- (j) the report from Astrum on the forecast underlying the valuation on the Group’s properties, the text of which is set out in Appendix IV to this circular;
- (k) the directors’ service contract referred to in the paragraph headed “6. DIRECTORS’ SERVICE CONTRACTS” in this appendix;

- (l) the material contracts referred to in the paragraph headed “9. MATERIAL CONTRACTS” in this appendix;
- (m) the written consents referred to in the paragraph headed “14. EXPERTS AND CONSENTS” in this appendix; and
- (n) this circular.

NOTICE OF EGM



ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED

能源國際投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Energy International Investments Holdings Limited (the “**Company**”) will be held at Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 18 August 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTION

1. THAT

- (a) the subscription agreement dated 28 April 2023 (as supplemented by the supplemental agreement dated 21 June 2023) (the “**Subscription Agreement**”) entered into between the Company and Cosmic Shine International Limited (the “**Subscriber**”) in relation to the Subscription and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”), be and are hereby approved and the Board be and is hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and
- (c) the Board be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate, and the allotment and issue of the Subscription Shares and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.

* For identification purpose only

NOTICE OF EGM

SPECIAL RESOLUTION

2. **THAT** subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the “**Whitewash Waiver**”) of the obligation on the part of the Subscriber to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.

By order of the Board
Energy International Investments Holdings Limited
Chan Wai Cheung Admiral
Executive Director

Hong Kong, 28 July 2023

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:

Units 4307-08, Office Tower
Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong

NOTICE OF EGM

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the EGM convened by this notice will be voted on by way of poll.
6. Precautionary measures will be taken at the EGM to reduce the health risk of the attendees, which may include temperature checks at the venue. No refreshments will be served at the EGM. The Company wishes to remind the Shareholders that attendance in person at the EGM is not necessary for the exercise of voting rights, as Shareholders may submit proxy forms and appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM.
7. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 14 August 2023.
8. As at the date of this notice, the executive Directors are Mr. Cao Sheng (Chairman), Mr. Liu Yong (Chief Executive Officer), Mr. Chan Wai Cheung Admiral, Mr. Lan Yongqiang, Mr. Shi Jun and Mr. Luo Yingnan; and the independent non-executive Directors are Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan.