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AQUILA ACQUISITION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 7836)

(Warrant Code: 4836)

ANNOUNCEMENT OF

- (1) DE-SPAC TRANSACTION COMPRISING**
- (A) THE BUSINESS COMBINATION AGREEMENT**
- (B) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION BY ZG GROUP (THE “SUCCESSOR COMPANY”)**
- (C) THE PIPE INVESTMENTS**
- (D) GRANT OF PROMOTER EARN-OUT RIGHT**

(2) MERGER PROPOSAL

- (3) PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION BY AQUILA AND**

(4) WITHDRAWAL OF LISTING OF AQUILA CLASS A SHARES

The Successor Company



**Joint Sponsors to the deemed new listing application of the Successor Company,
and Sponsor-Overall Coordinators**



Financial Advisors to the Target Company

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A. INTRODUCTION

The Aquila Board is pleased to announce that on August 31, 2023, Aquila entered into (i) the Business Combination Agreement with ZG Group (formerly known as Zhaogang.com Inc) (being the Target Company) and the Merger Sub (a wholly-owned subsidiary of ZG Group) in relation to the Merger and the Bonus Share Issue, (ii) the PIPE Investment Agreements with the Target Company and the PIPE Investors in relation to the PIPE Investments, and (iii) the Promoters Earn-out and Lock-up Agreement with the Target Company, the Promoters and the other parties named therein pursuant to which the Promoters have been granted the Promoter Earn-out Right in connection with the De-SPAC Transaction.

The De-SPAC Transaction will result in the business combination of Aquila with the Target Group and the listing of the Target Company as the Successor Company on the Stock Exchange.

B. INFORMATION ABOUT THE TARGET GROUP

The Target Group operates the world's largest digital platform for third-party steel transactions, as measured by online steel transaction volume in 2022, according to CIC. The Target Group was the first in China to offer a one-stop integrated suite of B2B services covering the entire value chain of steel transactions, including online steel transactions, logistics, warehousing and processing, fintech solutions, SaaS products, and big data analytics, through connecting key participants in the steel transactions industry onto its digital platform, according to CIC. The Target Group started its business from steel, a fundamental industrial raw material, and established a highly flexible digital infrastructure that redefined transaction and service standards. Through over a decade of evolution, it has become a trusted brand in the industry. Leveraging its extensive industrial insights and advanced digital infrastructure, the Target Group is diversifying into the market of non-steel industrial raw materials, including electronic components, electrical and electric, hardware and electromechanical.

Upon completion of the De-SPAC Transaction, the Successor Company will adopt a weighted voting rights (“WVR”) structure pursuant to which the Successor Company's share capital will comprise the Successor Company Class A Shares and the Successor Company Class B Shares. Each Successor Company Class A Share will entitle the holder to exercise one vote, and each Successor Company Class B Share will entitle the holder to exercise ten votes, on any resolution tabled at the Successor Company's general meetings, save for the Reserved Matters.

The WVR Beneficiaries will be Mr. Wang Dong and Mr. Wang Changhui who are the founder and co-founder of the Target Company, respectively and who will, immediately upon completion of the De-SPAC Transaction and taking into account the WVR structure, collectively be able to exercise approximately 65.7% of the voting rights in the Successor Company (as further explained below). The WVR structure will enable the WVR Beneficiaries to exercise voting control over the Successor Company notwithstanding that the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Successor Company. This will enable the Successor Company to benefit from the vision and leadership of the WVR Beneficiaries, who will control the Successor Company with a view to its long-term prospects and strategy.

C. REASONS FOR, AND BENEFITS OF, THE DE-SPAC TRANSACTION

As stated in Aquila's offering circular dated March 14, 2022, Aquila's criteria for evaluating a target company for the purpose of effecting a business combination with Aquila include the target company having a leading position in a new economy sector, favorable long-term growth prospects, differentiated value proposition and technology barriers and traceable financial track record with an ethical, professional and responsible management holding strong ESG values.

Having evaluated a number of potential target companies, Aquila considers that the Target Company satisfies the above criteria and that it would be in the interests of Aquila to enter into the De-SPAC Transaction with the Target Company for the following reasons:

- **A leading position in a new economy sector.** The Target Company operates the world's largest digital platform for third-party steel transactions, as measured by online steel transaction volume in 2022, according to CIC;
- **Favourable long-term growth prospects.** China's online steel transactions market experienced significant growth, with the market size increasing from RMB277.5 billion in 2017 to RMB995.8 billion in 2022, and is expected to grow at a CAGR of 19.6% to RMB2,441.5 billion in 2027, according to CIC;
- **Differentiated value proposition and technology barriers.** The Target Company has been successful in establishing a full range of purpose-built supporting digital infrastructure which redefined market standards for the entire process of steel transactions; and
- **Traceable financial track record with an ethical, professional and responsible management holding strong ESG values.** The Target Group's GMV increased from RMB34.9 billion in 2018 to RMB162.1 billion in 2022, representing a CAGR of 46.8%. The Target Company's management is ethical, professional, and responsible and strive to maintain good compliance with laws and regulations in the Target Company's business operations. The Target Company's commitment to ESG principles is deeply embedded in its business operations and the services that it offers.

Based on the above and having taken into account the terms of the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing, the Promoter Earn-out Right and other arrangements as set out in this announcement, the Aquila Directors (including the Aquila Independent Non-executive Directors) consider that the terms of the De-SPAC Transaction are fair and reasonable and in the interests of the Aquila Shareholders as a whole.

D. THE BUSINESS COMBINATION AGREEMENT

Pursuant to the terms of the Business Combination Agreement, the De-SPAC Transaction will be effected through the Merger of Aquila and Merger Sub, following which the separate existence of Merger Sub will cease and Aquila will continue as the surviving entity and become a direct, wholly-owned subsidiary of the Successor Company.

Upon completion of the De-SPAC Transaction, (a) Aquila Shareholders (other than the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders) will become shareholders of the Successor Company together with the PIPE Investors, investors in the Permitted Equity Financing (if any) and the existing shareholders of the Target Company, (b) Aquila Warrantholders will become Successor Company Warrantholders, (c) Aquila's listing status will be withdrawn, and (d) the Target Company will become the Successor Company which will be listed on the Stock Exchange.

The negotiated value of the Target Company in the De-SPAC Transaction (the “**Negotiated Value**”) is HK\$10,004,000,000. The Negotiated Value represents the fair value of the Target Company and was determined through arm's length negotiations with the PIPE Investors (who have undertaken independent due diligence on the Target Company) with reference to (i) the most recent round of pre-listing investment in the Target Company, (ii) business development and performance of the Target Group after the most recent round of pre-listing investment, and (iii) the business prospects of the Target Group.

The consideration which the Aquila Shareholders will receive pursuant to the De-SPAC Transaction is as follows:

- (A) Immediately prior to the Effective Time of the Merger, each Aquila Class B Share held by the Promoters will automatically cease to exist and will be converted into one Aquila Class A Share in accordance with the terms of the Aquila Articles.
- (B) Immediately following the Effective Time:
 - (1) each Aquila Class A Share (excluding the Aquila Class A Shares issued in connection with the Aquila Class B Conversion referred to above, the Redeeming Aquila Shares and the Dissenting Aquila Shares) will be automatically canceled and cease to exist in exchange for the right to receive one and five hundredths (1.05) of a newly issued Successor Company Class A Share, and each Aquila Class A Share issued in connection with the Aquila Class B Conversion will be automatically canceled and cease to exist in exchange for the right to receive one newly issued Successor Company Class A Share;
 - (2) each Redeeming Aquila Share will be automatically canceled and cease to exist in exchange for the right to receive the Redemption Price;

- (3) each Dissenting Aquila Share will be automatically canceled and cease to exist in exchange for the right to receive the fair value of such shares or (unless and until such Dissenting Aquila Shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Class A Share; and
- (4) each Aquila Warrant will be automatically canceled and cease to exist in exchange for one applicable Successor Company Warrant.

The entitlement of the Relevant Aquila Class A Shareholders to receive the additional five hundredths (0.05) of a newly issued Successor Company Class A Share for each Aquila Class A Share held by them is intended to incentivize the Aquila Shareholders not to exercise their Redemption Right and Appraisal Right in connection with the De-SPAC Transaction and to be shareholders of the Successor Company upon completion of the De-SPAC Transaction. The number of Bonus Shares to be issued was determined through commercial negotiations among the Parties to the Business Combination Agreement.

E. PIPE INVESTMENTS AND PERMITTED EQUITY FINANCING

Aquila and the Target Company have entered into PIPE Investment Agreements with 10 PIPE Investors. These PIPE investors are Xuzhou Zhenxin, Yulong Group, Orient Asset Management, Trafigura HK, Sichuan Pu Xin, Ninghai Zhenwei, Xuchang Industrial Investment, Shanghai Hao Yuan, Gold Wings Holdings Limited and Zhengzhou Chengxin.

Pursuant to the PIPE Investment Agreements, the PIPE Investors have agreed to, by themselves or through their respective Qualified Investment Schemes, subscribe for, and the Successor Company has agreed to issue to the PIPE Investors (or their respective Qualified Investment Schemes, if applicable), the PIPE Investment Shares at the price of HK\$10.00 per PIPE Investment Share. The gross proceeds from the PIPE Investments pursuant to the PIPE Investment Agreements will be HK\$605,300,000 and will be used to (a) enhance the Successor Group's service offerings through digitalization, (b) broaden the Successor Group's buyer base and increase their stickiness, (c) strengthen the Successor Group's technological capabilities, (d) explore cross-industry expansion and (e) for working capital and general corporate purposes.

The PIPE Investment Amount for each PIPE Investment was determined after arm's length negotiation between the parties to the respective PIPE Investment Agreements taking into account the pre-money equity value of the Target Company of HK\$10,004,000,000, the effect of the De-SPAC Transaction on shareholdings in the Successor Company, the current development plan of the Target Company and its need for proceeds.

From the date of the Business Combination Agreement until the Effective Time, Aquila and the Target Company may enter into one or more permitted equity subscription agreements in substantially the same form as the PIPE Investment Agreements with one or more investors for an aggregate subscription amount of up to HK\$1 billion that would constitute a Permitted Equity Financing. Details of any Permitted Equity Financing will be announced by Aquila.

F. PROMOTER EARN-OUT RIGHT

In connection with the De-SPAC Transaction, the Promoter Earn-out Right has been granted to the Promoters pursuant to which the Successor Company will issue to the Promoters 12,508,125 new Successor Company Class A Shares credited as fully paid upon the satisfaction of certain conditions and subject to certain adjustments following Closing.

G. IMPLICATIONS OF THE DE-SPAC TRANSACTION UNDER THE LISTING RULES AND DEEMED NEW LISTING APPLICATION

Aquila is required to comply with applicable Listing Rules regarding reverse takeovers with respect to the De-SPAC Transaction. Under Listing Rule 14.54, the Successor Company will be treated as if it were a new listing applicant. The Target Group is required to meet the requirements under Listing Rules 8.04 and 8.05 and the Successor Group is required to meet all the new listing requirements set out in Chapter 8 of the Listing Rules (except Listing Rule 8.05). The Successor Company is required to submit a new listing application to the Stock Exchange for the listing of, and permission to deal in, the Successor Company Class A Shares and Successor Company Listed Warrants in accordance with the requirements for new listing applicants as set out in Chapter 9 of the Listing Rules.

The new listing application is subject to approval by the Listing Committee, which may or may not grant its approval. If such approval is not granted, the Business Combination Agreement will not become unconditional and the De-SPAC Transaction will not proceed.

The Successor Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Successor Company Class A Shares and the Successor Company Warrants on the Main Board of the Stock Exchange. Aquila will make an application to the Stock Exchange for the withdrawal of listing of the Aquila Class A Shares (which will be subject to approval by Aquila Class A Shareholders) and the Aquila Listed Warrants. Upon the Closing, the listing statuses of the Aquila Class A Shares and the Aquila Listed Warrants will be withdrawn, and the Successor Company Class A Shares and Successor Company Listed Warrants will become listed on the Main Board of the Stock Exchange.

The grant of the Promoter Earn-out Right (pursuant to which the Successor Company will issue Successor Company Class A Shares to the Promoters upon the satisfaction of certain performance targets and other conditions) does not constitute a transaction of Aquila. Pursuant to Note 1(f) to Listing Rule 18B.29(1), the Promoter Earn-out Right is subject to approval by ordinary resolution at the EGM of the Aquila Shareholders convened to approve the De-SPAC Transaction with such earn-out right included in the resolution approving the De-SPAC Transaction.

The De-SPAC Transaction is conditional upon, and the terms of the PIPE Investments, the Bonus Share Issue, the Promoter Earn-out Right, the Permitted Equity Financing and the withdrawal of listing of the Aquila Class A Shares will be subject to, approval by the Aquila Class A Shareholders at the EGM and compliance with applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of listing), unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange.

H. SHARE REDEMPTIONS

Prior to the EGM to approve the De-SPAC Transaction, Aquila will provide Aquila Class A Shareholders with the opportunity to elect to redeem all or part of their holdings of Aquila Class A Shares for an amount per Aquila Class A Share equal to the Redemption Price, to be paid out of the monies held in the Escrow Account. The Redemption Price, payable in cash, will be equal to the aggregate amount then on deposit in the Escrow Account calculated as of two Business Days prior to the EGM (including interest earned on the funds held in the Escrow Account and which has not previously been released or approved by the Aquila Board for release to Aquila to pay for its expenses or taxes), divided by the number of the then issued and outstanding Aquila Class A Shares. The Redemption Price will in any case be no less than HK\$10.00 per Aquila Class A Share, being the price at which the Aquila Class A Shares were issued in Aquila's initial offering. The Redemption Price is expected to be determined on or around two Business Days prior to the EGM.

I. APPRAISAL RIGHT OF DISSENTING AQUILA SHAREHOLDERS

Section 238 of the Cayman Companies Act provides for the Appraisal Right of the Dissenting Aquila Shareholders to be paid the fair value of their Aquila Shares, subject to limitations under Section 239 of the Cayman Companies Act. Aquila Shareholders have the Appraisal Right in connection with the De-SPAC Transaction under the Cayman Companies Act. Aquila Shareholders who wish to exercise their Appraisal Right must follow the statutory procedures prescribed in the Cayman Companies Act.

J. EGM AND CIRCULAR

The De-SPAC Transaction (including the terms of the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing and the Promoter Earn-out Right) and the withdrawal of listing of the Aquila Class A Shares are subject to approval of the Aquila Shareholders at the EGM by ordinary resolutions. The Promoters and their respective close associates and any Aquila Shareholders and their close associates who have a material interest in the De-SPAC Transaction and the Promoter Earn-out Right are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the De-SPAC Transaction and the transactions contemplated thereunder (including the Promoter Earn-out Right).

The Merger is subject to approval by special resolution of two-thirds of the votes of the Aquila Shareholders at the EGM, and the adoption of the Aquila Private Company Memorandum and Articles by Aquila is subject to approval of three-fourths of the votes of the Aquila Shareholders at the EGM. **As the Merger forms part of the De-SPAC Transaction, in the event that the Merger or the adoption of the Aquila Private Company Memorandum and Articles by Aquila is not approved by the Aquila Shareholders at the EGM by special resolution, the De-SPAC Transaction will not be effected.**

The Circular will contain, among other things, (i) further information on the De-SPAC Transaction (including the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing and the Promoter Earn-out Right), the Merger, the Target Group and other information as required to be disclosed under the Listing Rules; (ii) details of the exchange of Aquila Class A Shares and Aquila Listed Warrants for Successor Company Class A Shares and Successor Company Warrants pursuant to the De-SPAC Transaction and the withdrawal of the listing of the Aquila Class A Shares and the Aquila Listed Warrants; (iii) details of the Redemption Right and the Appraisal Right; (iv) a notice of the EGM; (v) a form of proxy and (vi) a form of election of redemption. Pursuant to Listing Rule 14.60(7), the Circular is required to be dispatched to the Aquila Shareholders within 15 Business Days from the date of this announcement.

The Circular is subject to review and comments by the Stock Exchange and will be dispatched to the Aquila Shareholders as soon as practicable after the Successor Company has obtained the approval in principle from the Listing Committee with respect to the new listing application. To allow sufficient time for Aquila and the Target Company to finalise the Circular and in view of the process required in connection with the new listing application by the Successor Company, Aquila expects that more time may be needed for the Stock Exchange to approve the Successor Company's new listing application and for the finalisation of the Circular, which is expected to be dispatched in or around mid-November 2023.

It is expected that the EGM will be convened to be held in or around early December 2023.

K. CONSEQUENCES IF THE DE-SPAC TRANSACTION IS NOT APPROVED OR COMPLETED

If the De-SPAC Transaction is not approved by Aquila Class A Shareholders at the EGM or completed for any reason:

- Aquila will not redeem any Aquila Class A Shares and all Share Redemption requests will be canceled; and
- subject to the deadlines under the Listing Rules, the listings of the Aquila Class A Shares and Aquila Listed Warrants on the Stock Exchange will be maintained; **however**, Aquila may not have sufficient time to identify another de-SPAC target and negotiate a de-SPAC transaction before it is required to wind up as provided for in the Listing Rules.

Therefore, Aquila Class A Shareholders are strongly recommended to vote FOR the resolutions to be proposed at the EGM, EVEN IF you intend to elect to redeem some or all of your Aquila Class A Shares.

L. WARNINGS

Aquila Class A Shareholders and Warrantholders and potential investors in the securities of Aquila should note that the De-SPAC Transaction and all transactions thereunder are subject to, among other things, compliance with applicable legal and regulatory requirements, including the requirements for approval by shareholders of the companies concerned at general meeting(s) and approval of the Stock Exchange and/or other regulators. Accordingly, there is no certainty as to whether, and if so when, any such proposed transactions will proceed and/or will become effective. If the De-SPAC Transaction is not completed, Aquila will not redeem any Aquila Class A Shares and all Share Redemption requests will be canceled.

Aquila Class A Shareholders and Warrantholders and potential investors in the securities of Aquila should exercise caution when dealing in the shares or other securities of Aquila. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s).

A. OVERVIEW OF THE DE-SPAC TRANSACTION

The Aquila Board is pleased to announce that on August 31, 2023, Aquila entered into (i) the Business Combination Agreement with ZG Group (formerly known as Zhaogang.com Inc) (being the Target Company) and the Merger Sub (a wholly-owned subsidiary of ZG Group) in relation to the Merger and the Bonus Share Issue, (ii) the PIPE Investment Agreements with the Target Company and the PIPE Investors in relation to the PIPE Investments, and (iii) the Promoters Earn-out and Lock-up Agreement with the Target Company, the Promoters and the other parties named therein pursuant to which the Promoters have been granted the Promoter Earn-out Right in connection with the De-SPAC Transaction.

The De-SPAC Transaction will result in the business combination of Aquila with the Target Group and the listing of the Target Company as the Successor Company on the Stock Exchange.

The Target Group operates the world's largest digital platform for third-party steel transactions, as measured by online steel transaction volume in 2022, according to CIC. Through connecting key participants in the steel transactions industry, the Target Group offers a one-stop integrated suite of B2B services covering the entire value chain of steel transactions, including online steel transactions, logistics, warehousing and processing, fintech solutions, SaaS products, and big data analytics. Further details of the Target Group are set out in "*B. Information About the Target Group*" below.

Pursuant to the terms of the Business Combination Agreement, the De-SPAC Transaction will be effected through the Merger of Aquila and Merger Sub, following which the separate existence of Merger Sub will cease and Aquila will continue as the surviving entity and become a direct, wholly-owned subsidiary of the Successor Company. Details of the Business Combination Agreement are set out in "*E. The Business Combination Agreement*" below.

Upon Closing, (i) Aquila Shareholders (other than the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders) will become shareholders of the Successor Company, (ii) Aquila Warrantholders will become Successor Company Warrantholders, (iii) Aquila's listing status will be withdrawn, and (iv) the Target Company will become the Successor Company which will be listed on the Stock Exchange. Details of the effect of the De-SPAC Transaction on the shareholdings in Aquila and the Successor Company are set out in "*I. Effect of the De-SPAC Transaction on Shareholdings in Aquila and the Successor Company*" below.

In connection with the De-SPAC Transaction, Aquila will provide Aquila Class A Shareholders with the opportunity to elect to redeem all or part of their holdings of Aquila Class A Shares. See "*L. Share Redemptions*" below for further details. The Cayman Companies Act provides for a right of the Dissenting Aquila Shareholders to be paid the fair value of their Aquila Shares. See "*M. Appraisal Right of Dissenting Aquila Shareholders*" below for further details.

The gross proceeds from the PIPE Investments pursuant to the PIPE Investment Agreements will be HK\$605,300,000. See "*F. PIPE Investments*" below for further details.

In connection with the De-SPAC Transaction, the Promoter Earn-out Right has been granted to the Promoters for the issue of Successor Company Class A Shares upon the satisfaction of certain conditions. See “*G. Promoter Earn-out Right*” below for further details.

The De-SPAC Transaction (including the terms of the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing and the Promoter Earn-out Right), the withdrawal of listing of the Aquila Class A Shares, the Merger and the adoption of the Aquila Private Company Memorandum and Articles by Aquila will be subject to approval by the Aquila Shareholders at the EGM. The Promoters and their close associates will abstain from voting on the relevant resolutions as required by the Listing Rules. See “*N. EGM and Circular*” below for further details.

B. INFORMATION ABOUT THE TARGET GROUP

1. Description of principal business activities of the Target Group

The Target Group operates the world’s largest digital platform for third-party steel transactions, as measured by online steel transaction volume in 2022, according to CIC. The Target Group was the first in China to offer a one-stop integrated suite of B2B services covering the entire value chain of steel transactions, including online steel transactions, logistics, warehousing and processing, fintech solutions, SaaS products, and big data analytics, through connecting key participants in the steel transactions industry onto its digital platform, according to CIC. The Target Group started its business from steel, a fundamental industrial raw material, and established a highly flexible digital infrastructure that redefined transaction and service standards. Through over a decade of evolution, it has become a trusted brand in the industry. Leveraging its extensive industrial insights and advanced digital infrastructure, the Target Group is diversifying into the market of non-steel industrial raw materials, including electronic components, electrical and electric, hardware and electromechanical.

The Target Company has grown significantly since inception and reinforced its market leading position in recent years. In 2022, the Target Group recorded 35.3 million tons of third-party steel transaction volume on its digital platform, taking up approximately 38% of China’s total online third-party steel transaction volume, according to CIC. Based on the unaudited financial information of the Target Group, its gross profit margin improved from 15.4% in 2020, to 25.5% in 2021 and was 25.4% in 2022. The Target Group’s gross profit margin increased from 30.9% in the three months ended March 31, 2022 to 32.3% in the same period in 2023, demonstrating its strong growth potential.

The Target Group generated unaudited total revenue of RMB1,349.8 million, RMB1,353.4 million, RMB905.4 million and RMB221.6 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. The Target Group recorded unaudited loss before tax from continuing operations of RMB429.5 million, RMB285.6 million, RMB304.6 million and RMB45.6 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. The Target Group recorded unaudited net loss of RMB456.0 million, RMB274.4 million, RMB366.1 million and RMB44.6 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively.

2. Information on the Controlling Shareholders of the Target Company

Background on the Controlling Shareholders

Pursuant to a concert party agreement (the “**Concert Party Agreement**”) entered into by and among Mr. Wang Dong, Mr. Wang Changhui, Mr. Rao Huigang, and their respective investment holding entities, namely Jeremy Global Development Limited, Kiwi Global Development Limited, Restriven Limited, Wangdong Holdings Limited, Wangchanghui Holdings Limited and Raohuigang Holdings Limited (collectively, the “**Concert Parties**”), each of the Concert Parties have agreed to vote in concert with the others for all operational and other matters at board meetings or shareholders’ meetings of the Target Company and they will act together as a group of Controlling Shareholders of the Successor Company immediately upon completion of the De-SPAC Transaction.

As of the date of this announcement, the Concert Parties collectively held 167,860,786 shares of the Target Company, representing approximately 20.0% of the total issued share capital of the Target Company.

Mr. Wang Dong is the founder, chairman of the board of directors, executive director and chief executive officer of the Target Company and will serve as an executive director, chairman of the board of directors and chief executive officer of the Successor Company upon completion of the De-SPAC Transaction. Mr. Wang Dong has approximately 15 years of experience in the steel industry. In recognition of his rich experience and strong influence in China’s steel industry, Mr. Wang Dong has been named “National Excellent Entrepreneur of the Year (全國優秀企業家)” by the Chinese Enterprise Confederation (2017-2018), “Meritorious Entrepreneur of China’ Steel Supply Chain Construction” (中國鋼鐵供應鏈建設功勛企業家) by China’s Metal Material Distribution Association (中國金屬材料流通協會) in 2019, and “High-level Talents in Shanghai Industry” (2021年上海產業菁英高層次人才) by the Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會) in 2021. Mr. Wang Dong was also recognized by the Shanghai Municipal Government as “the Outstanding Builder of Socialism with Chinese Characteristics” (中國特色社會主義建設者) in 2018.

Mr. Wang Changhui is a co-founder, executive director and chief operating officer of the Target Company and will serve as an executive director and chief operating officer of the Successor Company upon completion of the De-SPAC Transaction. Mr. Wang Changhui has approximately 15 years of experience in sales and operation management in the steel industry, and has played a key role in establishing and executing the vision for the Target Company. Mr. Wang Changhui currently serves as the vice chairman of China Chamber of Commerce for Metallurgical Enterprises (全聯冶金商會), vice chairman of Steel Trade Chamber of Commerce of Shanghai Federation of Industry and Commerce (上海市工商聯鋼鐵貿易商會), and vice chairman of council of Youth Creative Association of Shanghai Federation of Industry and Commerce (上海市工商聯青創聯). He was awarded the title of “Young Leading Talents of Jiading District” (嘉定區青年領軍人才) in 2017.

Mr. Rao Huigang is a co-founder of the Target Group.

Weighted Voting Rights Structure of Successor Company

The Successor Company proposes to adopt a weighted voting rights (“WVR”) structure effective upon the completion of the De-SPAC Transaction. Under this WVR structure, the Successor Company’s share capital will comprise the Successor Company Class A Shares and the Successor Company Class B Shares. Each Successor Company Class A Share will entitle the holder to exercise one vote, and each Successor Company Class B Share will entitle the holder to exercise ten votes, on any resolution tabled at the Successor Company’s general meetings, save for the Reserved Matters.

Immediately upon the completion of the De-SPAC Transaction, the WVR Beneficiaries will be Mr. Wang Dong and Mr. Wang Changhui. The WVR structure will enable the WVR Beneficiaries to exercise voting control over the Successor Company notwithstanding that the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Successor Company. This will enable the Successor Company to benefit from the vision and leadership of the WVR Beneficiaries, who will control the Successor Company with a view to its long-term prospects and strategy.

Immediately upon completion of the De-SPAC Transaction and taking into account the WVR structure:

- (a) Mr. Wang Dong will beneficially own 157,523,425 Successor Company Class B Shares, and Mr. Wang Changhui will beneficially own 33,512,437 Successor Company Class B Shares, collectively representing approximately 65.7% of the voting rights in the Successor Company; and
- (b) the Concert Parties (including Mr. Wang Dong and Mr. Wang Changhui) will collectively hold approximately 19.1% of the total issued share capital and approximately 66.9% of the total voting rights in the Successor Company,

in each case assuming that (i) the Pre-Merger Capital Restructuring (as defined below) is completed, (ii) no Aquila Class A Shareholders exercise their Redemption Right with respect to their Aquila Class A Shares, (iii) no Aquila Class A Shareholders exercise their Appraisal Right, (iv) 60,530,000 Successor Company Class A Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, (v) there is no Permitted Equity Financing and (vi) all options granted under the Target Company ESOP are exercised.

The weighted voting rights attached to the Successor Company Class B Shares will cease when the WVR Beneficiaries cease to have any beneficial ownership of the Successor Company Class B Shares, in accordance with Listing Rule 8A.22. This may occur: (i) upon the occurrence of any of the circumstances set out in Listing Rule 8A.17, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of the board of directors of the Successor Company; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; (ii) when the holders of Successor Company Class B Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Successor Company Class B Shares or the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18; (iii) where a vehicle holding the Successor company Class B Shares on behalf of a WVR Beneficiary no longer complies with Listing Rule 8A.18(2); or (iv) when all of the Successor Company Class B Shares have been converted to Successor Company Class A Shares.

3. Contractual Arrangements of the Target Company

The Target Group operates certain businesses that are subject to foreign investment restrictions under current PRC laws and regulations. To comply with the PRC laws and regulations, while availing itself of international capital markets and maintaining effective control over all of its operations, the Target Company entered into the Contractual Arrangements, which enable the results of operations, assets and liabilities of the Consolidated Affiliated Entities to be consolidated into the results of operations, assets and liabilities of the Target Company under the IFRS as if they are subsidiaries of the Target Company. See the Appendix to this announcement for further details of the Contractual Arrangements of the Target Company.

4. Information about Merger Sub

Merger Sub is a newly incorporated Cayman Islands exempted company and a wholly-owned subsidiary of the Target Company. Merger Sub was incorporated solely for the purpose of effecting the Merger and has not carried on any activities other than those in connection with the Merger.

5. Previous Listing Application of the Target Company

The Target Company submitted a listing application to the Stock Exchange on June 25, 2018 (the “**Previous Listing Application**”). Due to market conditions at the time, the Target Company decided not to pursue the Previous Listing Application. The Directors of the Target Company are not aware of any material matters that would materially adversely affect the Target Company’s suitability for listing and need to be brought to the attention of the Stock Exchange and the SFC with respect to the Previous Listing Application.

Having conducted reasonable due diligence on the Previous Listing Application, including reviewing relevant material correspondence between the Target Company and the Stock Exchange in respect of the Previous Listing Application, nothing has come to the attention of the Joint Sponsors that would lead them to cast doubt on the views of the Directors of the Target Company stated above.

C. INFORMATION ABOUT AQUILA

Aquila is a special purpose acquisition company formed for the purpose of effecting a business combination with one or more businesses, with efforts concentrated on technology-enabled companies in new economy sectors in Asia, with a focus on China. Aquila completed an offering comprising 100,065,000 Aquila Class A Shares at an offer price of HK\$10.00 per Aquila Class A Share and 50,032,500 Aquila Listed Warrants on March 18, 2022.

Aquila is required to complete a de-SPAC transaction by March 18, 2025, being 36 months from the date of listing of the Aquila Class A Shares and Aquila Listed Warrants on the Stock Exchange, unless an extension of up to six months is approved by an ordinary resolution of the Aquila Class A Shareholders and granted by the Stock Exchange.

In the event of termination of the Business Combination Agreement (see “E. *The Business Combination Agreement – 1. Principal Terms of the Business Combination Agreement – (i) Termination*” below) and the De-SPAC Transaction is not completed within the required timeframe mentioned above, (i) Aquila will cease all operations except for the purpose of winding up; (ii) trading of the Aquila Class A Shares and the Aquila Listed Warrants will be suspended; (iii) as promptly as reasonably possible but no more than one month after the date that trading in the Aquila Class A Shares is suspended, Aquila will redeem the Aquila Class A Shares and distribute the funds held in the Escrow Account to holders of the Aquila Class A Shares on a pro rata basis in an amount which is not less than HK\$10.00 per Aquila Class A Share (being the issue price of Aquila Class A Shares at Aquila’s initial offering), which will completely extinguish the rights of the holders of the Aquila Class A Shares as Aquila Shareholders (including the right to receive further liquidation distributions, if any); (iv) the listing of the Aquila Class A Shares and the Aquila Listed Warrants on the Stock Exchange will be canceled; and (v) Aquila will be liquidated and dissolved, subject to obligations under Cayman Islands law to provide for claims of creditors and in all cases subject to the other requirements of applicable law.

D. REASONS FOR, AND BENEFITS OF, THE DE-SPAC TRANSACTION

As stated in Aquila’s offering circular dated March 14, 2022, Aquila’s criteria for evaluating a target company for the purpose of effecting a business combination with Aquila include the target company having a leading position in a new economy sector, favorable long-term growth prospects, differentiated value proposition and technology barriers and traceable financial track record with an ethical, professional and responsible management holding strong ESG values.

Having evaluated a number of potential target companies, Aquila considers that the Target Company satisfies the above criteria and that it would be in the interests of Aquila to enter into the De-SPAC Transaction with the Target Company for the following reasons:

- **A leading position in a new economy sector:** The Target Group operates the world’s largest digital platform for third-party steel transactions, as measured by online steel transaction volume in 2022, according to CIC. It was the first in China to offer a one-stop integrated suite of B2B services covering the entire value chain of steel transaction, including online steel transactions, logistics, warehousing and processing, fintech solutions, SaaS products, and big data analytics, through connecting key participants in the steel transactions industry onto the Target Group’s digital platform, according to CIC. In 2022, the Target Group recorded 35.3 million tons of third-party steel transaction volume on its digital platform, taking up approximately 38% of China’s total online third-party steel transactions market, according to CIC.

Historically, the Target Group procured steel products from steel sellers and sold them directly to its buyers through its digital platform. Since 2019, the Target Group started to enhance its platform by providing a series of integrated services to connect participants on the value chain, rather than carrying inventory risk by itself. Steel product sellers offer steel products to buyers over the Target Group’s digital platform and pay the Target Group a commission fee on their sales. The Target Group pioneered and has remained as the only player in the steel transactions industry that adopts an asset-light model offering the most comprehensive services at present, according to CIC.

- **Favourable long-term growth prospects:** China's online steel transactions market experienced significant growth, with the market size increasing from RMB277.5 billion in 2017 to RMB995.8 billion in 2022, and is expected to grow at a CAGR of 19.6% to RMB2,441.5 billion in 2027, according to CIC. Such market expansion is expected to be supported by the increasing online steel transactions market penetration rate from 17.5% in 2022 to 41.5% in 2027. Moreover, favorable regulatory policies have continuously been introduced to stimulate the digital reform of traditional industry, leading to the rapid development of online steel transactions. The steel transactions industry is thereby increasingly shifting towards a new era characterized by digitization. By running an asset-light model, which allows the Target Group to enhance agility, focus more on its core service capabilities and avoid substantial capital investments, the Target Company believes it is well-positioned to spearhead the digitalization of China's steel industry, as it offers an integrated suite of services that cater to the imminent needs of upstream and downstream industry participants.
- **Differentiated value proposition and technology barriers:** The Target Group has been successful in establishing a full range of purpose-built supporting digital infrastructure which redefined market standards for the entire process of steel transactions. Such digital infrastructure is built upon the Target Group's proprietary and industry-leading transaction processing system, which serves as a hub that covers a comprehensive suite of business modules and is capable of processing a large number of orders. The Target Group also developed a series of digital tools to enhance users' online experience, including LazyCat Automated Price Quotation System, the Real-time Order Matching System, and FatCat Shopkeeper (a supply chain collaboration system).
- **Traceable financial track record with an ethical, professional and responsible management holding strong ESG values:**

The Target Group's GMV increased from RMB34.9 billion in 2018 to RMB162.1 billion in 2022, representing a CAGR of 46.8%. Based on the unaudited financial information of the Target Group, the Target Group recorded gross profit margin of 15.4%, 25.5%, 25.4% and 32.3% in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively.

The Target Group's achievement was the result of the leadership of a visionary and entrepreneurial management team including Mr. Wang Dong, the founder and chief executive officer of the Target Company, and Mr. Wang Changhui, the co-founder and chief operating officer. Mr. Wang Dong and Mr. Wang Changhui have contributed to the evolution of the Target Group's business model. The Target Company's management is ethical, professional, and responsible and strived to maintain good compliance with laws and regulations in the Target Group's business operations. The Target Group's commitment to ESG principles is deeply embedded in its business operations and the services that it offers. The traditional steel transaction process is time-consuming and labour-intensive, which easily leads to severe information asymmetry, waste of resources, mismatch between supply and demand, as well as blind production. All of the above may result in heavy carbon emission. By transforming the steel transaction process and connecting the industry participants across the steel transaction value chain via its digital platform, the Target Group streamlines the steel transaction process, reduces unnecessary steps to enhance efficiency and thereby realizing carbon neutralization. Compared to the traditional steel transaction process, the average time for completing an order is shortened by more than 50% and the average transaction cycle is shortened from five to seven days to two to three days through the Target Group's digital platform, significantly improving the transaction efficiency and effectively reducing the manpower involved, according to CIC.

Based on the above and having taken into account the terms of the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing, the Promoter Earn-out Right and other arrangements as set out below, the Aquila Directors (including the Aquila Independent Non-executive Directors) consider that the terms of the De-SPAC Transaction are fair and reasonable and in the interests of the Aquila Shareholders as a whole.

E. THE BUSINESS COMBINATION AGREEMENT

1. Principal terms of the Business Combination Agreement

The principal terms of the Business Combination Agreement are set out below:

(a) Date

August 31, 2023

(b) Parties

- (i) Aquila;
- (ii) Target Company; and
- (iii) Merger Sub (together, the "**Parties**").

To the best of the Aquila Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Company and the Merger Sub and their ultimate beneficial owners are independent third parties of Aquila and its connected persons.

(c) Pre-Merger Capital Restructuring

At the Effective Time, the Target Company will implement the following transactions in the order set out below (collectively, the “**Pre-Merger Capital Restructuring**”):

- (i) each Target Company Preferred Share then issued and outstanding will automatically cease to exist and convert into a number of validly issued and fully paid Target Company Ordinary Shares pursuant to the Target Company Articles;
- (ii) the Target Company will allot and issue a number of fully paid Target Company Ordinary Shares at par value by way of capitalizing all or any part of any amount for the time being standing to the credit of the share premium account of the Target Company, on a pro rata basis to all Target Company Shareholders that appear on the register of members of the Target Company (subject to rounding as provided in the Business Combination Agreement) (the “**Capitalization Issue**”), such that immediately after the Capitalization Issue, the issued and outstanding share capital of the Target Company (on a fully-diluted and as-exercised basis) will consist of such number of Target Company Ordinary Shares equal to the quotient obtained by dividing the Negotiated Value by HK\$10.00;
- (iii) with respect to each Existing Target Company Option (whether vested or unvested) that is outstanding and unexercised as of immediately prior to the Capitalization Issue, the number of underlying Target Company Ordinary Shares that may be issued upon the exercise of such Existing Target Company Option and the exercise price of such Existing Target Company Option shall be adjusted pursuant to the terms and conditions of the Target Company ESOP;
- (iv) the Target Company will implement a redesignation and reclassification of its share capital (the “**Share Reclassification**”) such that (1) each issued and outstanding Target Company Ordinary Share (other than those beneficially owned by any Major Target Shareholder) will be redesignated and reclassified as a Successor Company Class A Share, (2) each issued and outstanding Target Company Ordinary Share beneficially owned by a Major Target Shareholder will be redesignated and reclassified as a Successor Company Class B Share, and (3) each Existing Target Company Option (whether vested or unvested, and after taking into account the adjustment as provided in paragraph (c)(iii)) that is outstanding and unexercised as of immediately prior to the Effective Time will, automatically and without any required action on the part of any holder or beneficiary thereof, be converted into an option to purchase Successor Company Class A Shares; and
- (v) the Target Company Articles will be amended and restated and replaced in its entirety with the Successor Company Articles.

(d) Merger

The Merger will be implemented by the Parties pursuant to which Aquila will become a direct, wholly-owned subsidiary of the Successor Company and in consideration therefor, the Aquila Shareholders (other than the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders) will become shareholders of the Successor Company upon Closing.

The detailed steps of the Merger are set out below:

- (i) promptly on the Unconditional Date (or such later date as may be agreed in writing by the Target Company and Aquila), Aquila and Merger Sub will execute and cause to be filed with the Cayman Registrar the Aquila Plan of Merger;
- (ii) at the Effective Time, (1) the Merger Sub will merge with and into Aquila, following which the separate existence of Merger Sub will cease and Aquila will continue as the surviving entity after the Merger and become a direct, wholly-owned subsidiary of the Successor Company and (2) the Aquila Articles will be amended and restated and replaced in its entirety with a set of memorandum and articles of association in agreed form between the Target Company and Aquila, being the Aquila Private Company Memorandum and Articles;
- (iii) at the Effective Time, all the property, rights, privileges, agreements, powers and franchises, debts, liabilities, duties and obligations of Merger Sub and Aquila will become that of Aquila as the surviving entity, being a direct, wholly-owned subsidiary of the Successor Company; and
- (iv) immediately following the Effective Time, the sole issued and outstanding ordinary share of Merger Sub will be converted into one ordinary share of Aquila as the surviving entity, issued in the name of the Successor Company.

(e) Merger consideration

- (1) *Aquila Class B Conversion*. Immediately prior to the Effective Time, each Aquila Class B Share held by the Promoters which are issued and outstanding will automatically cease to exist and will be converted into one fully paid Aquila Class A Share in accordance with the terms of the Aquila Articles (such automatic conversion, the “**Aquila Class B Conversion**”) and upon the Aquila Class B Conversion, all of the Aquila Class B Shares will no longer be issued and outstanding.

- (2) *Aquila Class A Shares.* Immediately following the Effective Time, by virtue of the Merger, (i) each Aquila Class A Share issued and outstanding as of immediately prior to the Effective Time (excluding the Aquila Class A Shares issued in connection with the Aquila Class B Conversion, the Redeeming Aquila Shares and the Dissenting Aquila Shares) will be automatically canceled and cease to exist in exchange for the right to receive one and five hundredths (1.05) of a newly issued Successor Company Class A Share; and (ii) each Aquila Class A Share issued in connection with the Aquila Class B Conversion will be automatically canceled and cease to exist in exchange for the right to receive one newly issued Successor Company Class A Share. No fraction of a Successor Company Class A Share will be issued and the entitlement of each Relevant Aquila Class A Shareholder to receive the Successor Company Class A Shares by virtue of the Merger will be rounded down to the nearest whole number.
- (3) *Aquila Warrants.* Immediately following the Effective Time, by virtue of the Merger, (i) each Aquila Listed Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for an equivalent Successor Company Listed Warrant, and the Successor Company will assume each such Aquila Listed Warrant in accordance with its terms; and (ii) each Aquila Promoter Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for an equivalent Successor Company Promoter Warrant, and the Successor Company will assume each such Aquila Promoter Warrant in accordance with its terms. All rights with respect to Aquila Shares underlying the relevant Aquila Warrants assumed by the Successor Company will be converted into rights with respect to the Successor Company Class A Shares.
- (4) *Redeeming Aquila Shares.* Each Redeeming Aquila Share issued and outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist and will thereafter represent only the right to be paid the Redemption Price in accordance with the Aquila Articles and applicable law.
- (5) *Dissenting Aquila Shares.* Each Dissenting Aquila Share issued and outstanding immediately prior to the Effective Time held by a Dissenting Aquila Shareholder will be automatically canceled and cease to exist and will thereafter represent only the right to be paid the fair value of such Dissenting Aquila Share and such other rights as are granted by the Cayman Companies Act, or (unless and until such Dissenting Aquila Shareholder fails to perfect or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Class A Share. Further details of the rights of the Dissenting Aquila Shareholders and the prescribed statutory procedure are set out in “*M. Appraisal Right of Dissenting Aquila Shareholders*” below and will be set out in the Circular.

Please refer to “*I. Effect of the De-SPAC Transaction on Shareholdings in Aquila and the Successor Company*” for details of the shareholding impact of the De-SPAC Transaction on the shareholders of Aquila and the Target Company.

(f) *Conditions to Closing*

(1) *Conditions to the obligations of all parties*

The obligations of the Parties to complete the De-SPAC Transaction are subject to the satisfaction of the following conditions (or if permitted by applicable law, waived by written agreement between Target Company and Aquila):

- (i) no law or governmental order being in force prohibiting or making illegal the completion of the De-SPAC Transaction;
- (ii) written approval from the Listing Committee for the listing of, and permission to deal in, the Successor Company Class A Shares and the Successor Company Listed Warrants, on the Main Board of the Stock Exchange; and
- (iii) the required Aquila shareholder approval having been obtained.

(2) *Additional Conditions to the obligations of Aquila*

The obligations of Aquila to complete the De-SPAC Transaction are subject to the satisfaction of the following additional conditions (or if permitted by applicable law, waived in writing by Aquila):

- (i) the Pre-Merger Capital Restructuring having been completed in accordance with the terms of the Business Combination Agreement and the Target Company Articles;
- (ii) since the date of the Business Combination Agreement, no material adverse effect in respect of the Target Group having occurred which is continuing;
- (iii) certain key warranties of the Target Company being true and correct, and all other warranties of the Target Company being true and correct (without giving effect to any materiality qualifiers in such warranties) except where the failure of such warranties to be true and correct would not individually or in the aggregate, have a material adverse effect in respect of the Target Group, in each case, as at the date of the Business Combination Agreement and immediately prior to Closing;
- (iv) the covenants and agreements of the Target Company in the Business Combination Agreement to be performed at or prior to Closing having been performed in all material respects; and

- (v) the Target Company having delivered to Aquila a certificate signed by a director of the Target Company, dated as of the date of Closing, certifying that, to the knowledge of such director, the above conditions set out in paragraphs 2(i) to 2(iv) have been fulfilled.

(3) Additional Conditions to the obligations of the Target Company

The obligations of the Target Company to complete the De-SPAC Transaction are subject to the satisfaction of the following additional conditions (or if permitted by applicable law, waived in writing by the Target Company):

- (i) the aggregate amount of proceeds from the PIPE Investments and the Permitted Equity Financing that have been funded to the Target Company not being less than HK\$605,300,000;
- (ii) certain key warranties of Aquila being true and correct, and all other warranties of Aquila being true and correct (without giving effect to any materiality qualifiers in such warranties) except where the failure of such warranties to be true and correct would not individually or in the aggregate, have a material adverse effect in respect of Aquila, in each case, as at the date of the Business Combination Agreement and immediately prior to Closing;
- (iii) since the date of the Business Combination Agreement, no material adverse effect in respect of Aquila having occurred which is continuing;
- (iv) the covenants and agreements of Aquila in the Business Combination Agreement to be performed at or prior to Closing having been performed in all material respects; and
- (v) Aquila having delivered to the Target Company a certificate signed by a director of Aquila, dated as of the date of Closing, certifying that, to the knowledge of such director, the conditions set out in the Business Combination Agreement that should be satisfied by Aquila have been fulfilled.

(g) Pre-Closing obligations and Permitted Equity Financing

From the date of the Business Combination Agreement until the Effective Time (the “**Pre-Closing Period**”), the Target Company will, and will cause its subsidiaries to, (i) conduct and operate its business in the ordinary course of business in all material respects, and (ii) use its commercially reasonable efforts to ensure there are no material changes in the business or financial position of the Target Group (taken as a whole).

In addition, except as otherwise permitted by the limited exceptions provided in the Business Combination Agreement, the Target Group will also be subject to certain restrictive covenants during the Pre-Closing Period, including, but not limited to, not (i) declaring or paying any dividends or distributions, (ii) entering into, amending or waiving any material right under or terminating any material contract to which the Target Group is a party, (iii) cancelling or compromising any claim or indebtedness owed to the Target Group other than in the ordinary course of business, (iv) merging or consolidating with any business or any corporation other than in the ordinary course of business, (v) making any material loans other than in the ordinary course of business, and (vi) incurring any additional indebtedness exceeding the agreed amount.

Except as otherwise permitted by the limited exceptions provided in the Business Combination Agreement, Aquila will be subject to certain restrictive covenants during the Pre-Closing Period including, but not limited to, not (i) modifying the Escrow Agreement, (ii) repurchasing or redeeming any shares other than the pursuant to the Share Redemption, (iii) paying any distribution or dividends, (iv) incurring any financial debt and (v) offering or issuing any equity securities (other than issuance of Aquila Class A Shares in connection with the exercise of any outstanding Aquila Warrants).

During the Pre-Closing Period, Aquila and the Target Company may execute one or more permitted equity subscription agreements in substantially the same form as the PIPE Investment Agreements with one or more investors for an aggregate subscription amount of up to HK\$1 billion that would constitute a Permitted Equity Financing; provided that unless otherwise agreed by Aquila and the Target Company in writing, no such permitted equity subscription agreement shall provide for the issuance of any equity securities of the Target Company other than the Successor Company Class A Shares. Details of any Permitted Equity Financing will be announced by Aquila.

Each of Aquila and the Target Company has agreed to use its commercially reasonable efforts to cooperate with each other in connection with the arrangement of any Permitted Equity Financing as may be reasonably requested by each other.

(h) Lock-up undertakings

From the date of the Business Combination Agreement until the Effective Time, the Target Company will obtain 12 month lock-up undertakings from the date of Closing from any holders of Successor Company Shares issued upon the exercise by such holder of options granted pursuant to the Target Company ESOP for the 12 month period from Closing (it being noted that any Successor Company Shares issued to the Major Target Shareholders will be subject to the 12 month lock-up restrictions as provided in the Controlling Shareholders Lock-up Agreement).

(i) Termination

The Business Combination Agreement may be terminated prior to the Effective Time only as follows:

- (i) by mutual written agreement of each of Aquila and the Target Company;
- (ii) by Aquila or the Target Company, if there is in effect any (1) applicable law or (2) final and non-appealable governmental order issued or entered into by any court or other tribunal of competent jurisdiction that, in each case, permanently restrains, makes illegal or otherwise prohibits the completion of the De-SPAC Transaction;
- (iii) by Aquila or the Target Company, if the Unconditional Date has not occurred by the Longstop Date, provided that such Longstop Date may be extended by an additional three-month period by the mutual written consent of Aquila and the Target Company;
- (iv) by Aquila or the Target Company, if Aquila fails to obtain the required Aquila shareholders' approval of the De-SPAC Transaction;
- (v) by Aquila, if the Target Company has materially breached or failed to perform any of its warranties or covenants, which breach or failure to perform (1) would result in the failure of a condition set out in “– *Conditions to Closing – (2) Additional Conditions to obligations of Aquila*” above to be satisfied and (2) is not capable of being cured by the Longstop Date or, if capable of being cured by the Longstop Date, is not cured by the prescribed time period; and
- (vi) By the Target Company, if Aquila has materially breached or failed to perform any of its warranties or covenants, which breach or failure to perform (1) would result in the failure of a condition set out in “– *Conditions to Closing – (3) Additional Conditions to obligations of the Target Company*” above to be satisfied and (2) is not capable of being cured by the Longstop Date or, if capable of being cured by the Longstop Date, is not cured by the prescribed time period.

Upon termination of the Business Combination Agreement, such agreement will become void and have no effect and the De-SPAC Transaction will not proceed, except that certain surviving provisions will survive termination.

(j) Closing

Closing will occur immediately upon completion of the transactions contemplated to take place immediately after the Effective Time, including, but not limited to, the transactions set out in “– *(e) Merger consideration*” above.

Subject to the satisfaction (or if applicable and permitted by law, waiver) of the Conditions, it is currently expected that Closing will take place in the fourth quarter of 2023.

2. Bonus Share Issue

As explained in “E. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (e) Merger consideration” above, immediately following the Effective Time, (i) the Relevant Aquila Class A Shareholders (i.e. Aquila Class A Shareholders (excluding the holders of Aquila Class A Shares issued in connection with the Aquila Class B Conversion, the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders)) will receive one and five hundredths (1.05) of a newly issued Successor Company Class A Share for every Aquila Class A Share they held immediately prior to the Effective Time, and (ii) holders of Aquila Class A Shares issued in connection with the Aquila Class B Conversion will receive one newly issued Successor Company Class A Share for every Aquila Class A Share they held immediately prior to the Effective Time. No fraction of a Successor Company Class A Share will be issued and the entitlement of each Relevant Aquila Class A Shareholder to receive the Successor Company Class A Shares by virtue of the Merger will be rounded down to the nearest whole number.

The entitlement of the Relevant Aquila Class A Shareholders to receive the Bonus Shares, being the additional five hundredths (0.05) of a newly issued Successor Company Class A Share for each Aquila Class A Share held by them, is intended to incentivize the Aquila Shareholders not to exercise their Redemption Right and Appraisal Right in connection with the De-SPAC Transaction and to be shareholders of the Successor Company upon completion of the De-SPAC Transaction. The number of Bonus Shares to be issued was determined through commercial negotiations among the Parties to the Business Combination Agreement.

For the avoidance of doubt, (i) if a Relevant Aquila Class A Shareholder has validly exercised its Redemption Right with respect to a portion (but not all) of its Aquila Class A Shares, such Relevant Aquila Class A Shareholder will receive Bonus Shares with respect to such portion of its Aquila Class A Shares that it has not elected to redeem pursuant to the exercise of the Redemption Right and (ii) a Dissenting Aquila Shareholder (even if such shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act and receives one newly issued Successor Company Class A Share for each Dissenting Aquila Share) will not receive any Bonus Shares with respect to all of his, her or its Dissenting Aquila Shares.

The Bonus Share Issue forms part of the transactions contemplated under the Business Combination Agreement as part of the De-SPAC Transaction, which is subject to the approval of the Aquila Shareholders at the EGM by ordinary resolution.

3. Basis of the Negotiated Value of the Target Company

The negotiated value of the Target Company in the De-SPAC Transaction (the “**Negotiated Value**”) is HK\$10,004,000,000. The Negotiated Value represents the fair value of the Target Company and was determined through arm’s length negotiations with the PIPE Investors (who have undertaken independent due diligence on the Target Company) with reference to:

- (a) *Most recent round of pre-listing investment:* The Target Company raised an aggregate of RMB430,000,000 from four experienced investors in the most recent round of pre-listing investment in 2018. The Target Company’s post-money valuation after this round of investment was HK\$9,231,000,000. The Negotiated Value represents an approximately 8.4% increase from such valuation.
- (b) *Business development and performance after the most recent round of pre-listing investment:* The Target Group has demonstrated significant growth in recent years. In particular, transaction volume on the Target Group’s digital platform increased at a CAGR of 45.4% from 8.1 million tons in 2018 to 36.2 million tons in 2022; meanwhile, its GMV increased at a CAGR of 46.8% from RMB34.9 billion in 2018 to RMB162.1 billion in 2022. The Target Group has accumulated a broad base of buyers, with over 167,200 registered buyers connected on its digital platform as of March 31, 2023.
- (c) *Business prospects:* China’s online steel transactions market has experienced significant growth, with the market size increasing from RMB277.5 billion in 2017 to RMB995.8 billion in 2022, and is expected to grow at a CAGR of 19.6% to RMB2,441.5 billion in 2027, according to CIC. Such market expansion is expected to be supported by increasing online steel transactions market penetration rate from 17.5% in 2022 to 41.5% in 2027, which will in turn create abundant opportunities for the Target Company to capitalize on.

Notwithstanding the Target Group’s net losses during the three years ended 31 December 2022 and the three months ended March 31, 2023, the Target Group achieved positive operating cash flow in 2022 and has significant potential in its business model and future performance. The Target Group offers a comprehensive range of services and has a strong brand name. It has been growing its buyer base through targeted business development initiatives, such as setting up local service stations throughout the PRC. The Target Group has also successfully developed a robust business model, a highly flexible digital platform and deep industry know-how and network, which allows it to expand into non-steel sectors. Furthermore, the Target Group has been enhancing its efficiency and improving its operating leverage by cross selling of various transaction support services, including fintech solutions and logistics services. The Target Group expects that these will propel it to achieve profitability and sustainable growth in the future.

The unaudited net liabilities of the Target Group as at March 31, 2023 were RMB6.4 billion. The unaudited book value of the Target Group excluding the value of convertible preferred shares as at March 31, 2023 was RMB467.6 million.

Note: The convertible preferred shares of the Target Company will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the listing of the Successor Company.

The funds raised from Aquila’s initial offering prior to any redemptions amounted to HK\$1,000,650,000. For the purpose of Listing Rule 18B.39, 80% of such amount is HK\$800,520,000 (the “**Benchmark Value**”). The Aquila Board and the Joint Sponsors are of the view that the Target Company has a fair market value exceeding the Benchmark Value as of the date of the Business Combination Agreement on the basis that the Negotiated Value is greater than the Benchmark Value by approximately 1,149.7%, and such Negotiated Value, having been determined by negotiations with the PIPE Investors who have undertaken independent due diligence on the Target Company, provides support for the valuation of the Target Company and represents the fair market value of the Target Company. In particular, among such PIPE Investors, Xuzhou Zhenxin, Yulong Group, Orient Asset Management, Trafigura HK and Sichuan Pu Xin satisfy the relevant “sophisticated investor” requirements under the Listing Rules as discussed in “F. PIPE Investments – 4. Information on the PIPE Investors” below, whose investment amount in aggregate represents more than a majority (50.02%) of the PIPE Investment Amount.

4. Board of Directors of the Successor Company

Immediately after the Effective Time, the board of directors of the Successor Company is expected to comprise nine directors, as follows:

- (a) four executive directors designated by the Target Company, who will be Mr. Wang Dong, Mr. Wang Changhui, Ms. Gong Yingxin and Ms. Zhou Min;
- (b) one non-executive director designated by the Target Company, who will be Mr. Ye Qian;
- (c) one non-executive director designated by Aquila, who will be Mr. Jiang Rongfeng;
and
- (d) three independent non-executive directors, who will be Mr. Chen Yin, Mr. Wang Weisong and Mr. Wang Xiang.

F. PIPE INVESTMENTS

On August 31, 2023, Aquila and the Target Company have entered into the PIPE Investment Agreements with the PIPE Investors set out below.

1. Principal terms of the PIPE Investments

(a) Subject Matter

Pursuant to the PIPE Investment Agreements, the PIPE Investors have agreed to, by themselves or through their respective Qualified Investment Schemes, subscribe for, and the Successor Company has agreed to issue to the PIPE Investors (or their respective Qualified Investment Schemes, if applicable), the PIPE Investment Shares at the price of HK\$10.00 per PIPE Investment Share.

(b) Conditions Precedent

The obligations of each PIPE Investor and the Successor Company to consummate the PIPE Investments pursuant to the relevant PIPE Investment Agreements are subject to the satisfaction of the following conditions (or if applicable, waived by the PIPE Investor and/or the Successor Company in writing as applicable to the extent permitted by applicable law):

Conditions to obligations of all parties

- (i) all of the approvals required to consummate the De-SPAC Transaction (including, but not limited to, the approval of the Aquila Shareholders and the approval granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Successor Company Class A Shares) having been granted and such grant and permission not having been withdrawn and all of the conditions precedent to the closing of the Merger set forth in the Business Combination Agreement having been satisfied (or validly waived pursuant to the terms thereof);
- (ii) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the PIPE Investment Agreements or the Business Combination Agreement and there having been no orders or injunctions from a court of competent jurisdiction in effect which preclude or prohibit consummation of such transactions;

Conditions to obligations of the PIPE Investors

- (iii) the respective representations and warranties made by Aquila and the Target Company in the respective PIPE Investment Agreements being true and correct in all respects at and as of the date of closing (other than representations and warranties that speak as of an earlier date, in which case they shall have been true and correct in all respects as of such earlier date), except to the extent that the failure of such representations and warranties to be so true and correct would not reasonably be expected to prevent, materially delay, or materially impair the ability of Aquila or the Target Company (as applicable) to comply in all material respects with the terms of the respective PIPE Investment Agreements;

- (iv) Aquila and the Target Company having performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the respective PIPE Investment Agreement to be performed, satisfied or complied with by it at or prior to the closing of the respective PIPE Investments, except where the failure of such performance, satisfaction or compliance would not or would not reasonably be expected to prevent, materially delay, or materially impair the ability of Aquila or the Target Company (as applicable) to consummate the closing of the respective PIPE Investments;

Conditions to obligations of the Successor Company

- (v) the representations and warranties made by the PIPE Investors in the respective PIPE Investment Agreements being true and correct in all respects at and as of the date of closing (other than representations and warranties that speak as of an earlier date, in which case they shall have been true and correct in all respects as of such earlier date), except to the extent that the failure of such representations and warranties to be so true and correct would not reasonably be expected to prevent, materially delay, or materially impair the ability of the respective PIPE Investor to comply in all material respects with the terms of the respective PIPE Investment Agreements; and
- (vi) the PIPE Investors having performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the respective PIPE Investment Agreement to be performed, satisfied or complied with by it at or prior to the closing of the respective PIPE Investments, except where the failure of such performance, satisfaction or compliance would not or would not reasonably be expected to prevent, materially delay, or materially impair the ability of the respective PIPE Investor to consummate the closing of the respective PIPE Investments.

(c) Closing

The PIPE Investors will, by themselves or through their respective Qualified Investment Schemes, subscribe for the PIPE Investment Shares contemporaneously with the closing of the Merger, at such time and in such manner as shall be determined by Aquila and the Target Company.

(d) Termination

If payment of the PIPE Investment Amount (whether in whole or in part) is not received or settled in the time and manner stipulated in the PIPE Investment Agreements, Aquila and the Target Company reserve the right in their absolute discretion to terminate the respective PIPE Investment Agreement.

Any PIPE Investment Agreement will also terminate upon the earliest to occur of:

- (i) the mutual written agreement of each of the parties to terminate such PIPE Investment Agreements;
- (ii) such date and time as the Business Combination Agreement is validly terminated in accordance with its terms; or

- (iii) 30 days after the Longstop Date, if the closing of the relevant PIPE Investment has not occurred by such date other than as a result of a breach of the relevant PIPE Investor’s obligations under such PIPE Investment Agreement.

(e) Restrictions on PIPE Investors

Each PIPE Investor has agreed that:

- (i) except with the prior written consent of Aquila and the Target Company, the aggregate holding of each PIPE Investor and its respective close associates in the total issued share capital of the Successor Company will be less than 10% (or such other percentage as provided in the Listing Rules from time to time for the definition of substantial shareholder); and
- (ii) other than the respective PIPE Investment Agreements, each PIPE Investor will not enter into any other arrangement or agreement, including any side letter, with Aquila, the Target Company, any controlling shareholder of the Target Company or any other member of the Target Group in connection with the De-SPAC Transaction and the PIPE Investments.

During the Pre-Closing Period, Aquila and the Target Company may enter into one or more permitted equity subscription agreements in substantially the same form as the PIPE Investment Agreements with one or more investors that would constitute a Permitted Equity Financing. See “E. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (g) Pre-Closing obligations” above for further details.

2. PIPE Investment Amount

Details of the respective PIPE Investment Amount for the subscription of PIPE Investment Shares by each PIPE Investor are set out below:

PIPE Investors	Number of PIPE Investment Shares	PIPE Investment Amount (HK\$)	PIPE Investment Amount as a percentage of negotiated value of the Target Company
Xuzhou Zhenxin Venture Capital Co., Ltd. (徐州臻心創業投資有限公司) (“Xuzhou Zhenxin”)	10,000,000	100,000,000	1.00%
Chongqing Yulong Asset Management (Group) Limited (重慶渝隆資產經營(集團)有限公司) (“Yulong Group”)	10,000,000	100,000,000	1.00%
Orient Asset Management (Hong Kong) Limited (“Orient Asset Management”)	5,500,000	55,000,000	0.55%
Trafigura Hong Kong Limited (“Trafigura HK”)	3,280,000	32,800,000	0.33%

PIPE Investors	Number of PIPE Investment Shares	PIPE Investment Amount (HK\$)	PIPE Investment Amount as a percentage of negotiated value of the Target Company
Sichuan Pu Xin Chan Rong Investment Co., Ltd. (四川璞信產融投資有限責任公司) (“ Sichuan Pu Xin ”)	1,500,000	15,000,000	0.15%
Ninghai Zhenwei Jingyuan Equity Investment Partnership L.P. (寧海真為經遠股權投資合夥企業(有限合夥)) (“ Ninghai Zhenwei ”)	16,300,000	163,000,000	1.63%
Xuchang Jianan Industrial Investment Development Co., Ltd. (許昌建安產業投資發展有限公司) (“ Xuchang Industrial Investment ”)	5,500,000	55,000,000	0.55%
Shanghai Hao Yuan Property Management Co., Ltd. (上海昊遠物業管理有限公司) (“ Shanghai Hao Yuan ”)	5,450,000	54,500,000	0.54%
Gold Wings Holdings Limited	2,000,000	20,000,000	0.20%
Zhengzhou Chengxin Public Utilities Service Co., Ltd. (鄭州誠信公用事業服務有限公司) (“ Zhengzhou Chengxin ”)	1,000,000	10,000,000	0.10%
Total	60,530,000	605,300,000	6.05%

The PIPE Investment Amount for each PIPE Investment was determined after arm’s length negotiation between the parties to the respective PIPE Investment Agreements taking into account the pre-money equity value of the Target Company of HK\$10,004,000,000, the effect of the De-SPAC Transaction on shareholdings in the Successor Company, the current development plan of the Target Company and its need for proceeds.

The PIPE Investment Amount is expected to be funded by the respective PIPE Investors by internal funds and/or external financing. At least three Business Days prior to the scheduled date of closing of the PIPE Investments, each PIPE Investor will deliver to the Target Company its respective PIPE Investment Amount in Hong Kong dollars by wire transfer in immediately available clear funds without any deduction or set-off to the bank account specified by the Target Company to be held in escrow until closing.

3. Total Funds to be Raised from Independent PIPE Investors

The Target Company has applied to the Stock Exchange to exercise its discretion to accept, and the Stock Exchange has accepted, a lower minimum independent third party investment requirement under Listing Rule 18B.41.

4. Information on the PIPE Investors

(a) *Xuzhou Zhenxin*

Xuzhou Zhenxin is a wholly-owned subsidiary of Xuzhou Industrial Development Holding Group Co., Ltd. (“**Xuzhou Industrial Development**”). Xuzhou Industrial Development, wholly controlled by State-owned Assets Supervision and Administration Commission of Xuzhou Government (徐州市人民政府國有資產監督管理委員會), is the holding company of a large state-owned holding group which primarily focuses on industrial investment and operation. Xuzhou Industrial Development, which will invest in the Successor Company via Xuzhou Zhenxin, had approximately RMB9.0 billion (equivalent to approximately HK\$9.7 billion) of assets under management as of June 30, 2023.

(b) *Yulong Group*

Yulong Group is a limited liability company established in the PRC in January 2002, which was ultimately owned by Chongqing Jiulongpo District State-owned Assets Supervision and Administration Commission (重慶市九龍坡區國有資產監督管理委員會). Yulong Group is primarily engaged in investment and had over RMB11.0 billion (equivalent to over approximately HK\$11.8 billion) of assets under management as of March 31, 2023.

(c) *Orient Asset Management*

Orient Asset Management is a subsidiary of Orient Finance Holdings (Hong Kong) Limited and is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. Orient Finance Holdings (Hong Kong) Limited is a wholly-owned subsidiary of DFZQ (東方證券股份有限公司), which is listed on the Stock Exchange (Stock Code: 3958) and the Shanghai Stock Exchange (Stock Code: 600958). Orient Asset Management had approximately HK\$10.7 billion of assets under management as of June 30, 2023.

(d) *Trafigura HK*

Trafigura HK is a wholly-owned subsidiary of Trafigura Group Pte. Ltd. (“**Trafigura**”) and mainly engaged in investment of commodities trading industry. Founded in 1993 and headquartered in Singapore, Trafigura is a Fortune Global 500 company and a market leader in the global commodities industry. The principal business activities of Trafigura and its subsidiaries (“**Trafigura Group**”) are trading in crude and petroleum products, power and renewables, non-ferrous concentrates, refined metals and bulk commodities such as coal and iron ore. Trafigura Group also invests in assets, including through investments in associates, which have strong synergies with its core trading activities. These include storage terminals, service stations, metal warehouses, industrial facilities and mines. Trafigura is ultimately controlled by Farringford Foundation, which is established under the laws of Panama. Trafigura had approximately US\$1.57 billion (equivalent to approximately HK\$12.3 billion) of assets under management as of September 30, 2022.

(e) Sichuan Pu Xin

Sichuan Pu Xin is a wholly-owned subsidiary of Luzhou Laojiao Group Co., Ltd. (瀘州老窖集團有限責任公司) (“**Luzhou Laojiao**”) and mainly engaged in equity investment and investment in securities market. Luzhou Laojiao is ultimately controlled by Luzhou State-owned Assets Supervision and Administration Commission (瀘州市國有資產監督管理委員會). Luzhou Laojiao is engaged in industries including, among others, liquor production, financing and investment. It is the largest shareholder of (i) Luzhou Lao Jiao Co., Ltd (瀘州老窖股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000568); (ii) Huaxi Securities Co., Ltd. (華西證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002926); and (iii) Luzhou Bank Co., Ltd. (瀘州銀行股份有限公司), a company listed on the Stock Exchange (stock code: 1983). Sichuan Pu Xin primarily focuses on investment in new energy, new material, medicine and semi-conductors. Sichuan Pu Xin has a designated team responsible for screening, identifying, executing and monitoring all of the investments made by Luzhou Laojiao through Sichuan Pu Xin. Luzhou Laojiao, which will invest in the Successor Company via Sichuan Pu Xin, had approximately RMB14.2 billion equivalent to approximately HK\$15.3 billion) assets under management as of March 31, 2023.

(f) Ninghai Zhenwei

Ninghai Zhenwei is a limited liability partnership established in the PRC, which is managed by its general partner, Real Fund Management Co., Ltd. (真為投資基金管理有限公司) (“**Real Fund**”). Real Fund is primarily engaged in investment management and investment consultancy of non-securities business. Real Fund is held by Liu Bin (劉斌) and Anji Henglin Trading Co., Ltd. (安吉恒林商貿有限公司) as to approximately 51.7% and 30.0%, respectively. None of the remaining shareholders of Real Fund hold 30% or more equity interests in Real Fund. The sole limited partner of Ninghai Zhenwei is Ninghai Guoying Venture Capital Co., Ltd. (甯海國盈創業投資有限公司), which is ultimately wholly-owned by Ninghai State Owned Assets Management Centre (寧海縣國有資產管理中心).

(g) Xuchang Industrial Investment

Xuchang Industrial Investment is a limited liability company established in the PRC and mainly engaged in the investment of industry, agriculture, service, business, transposition, property and infrastructure. Xuchang Industrial Investment is wholly-owned by Finance Bureau of Jiang’an District of Xuchang (許昌市建安區財政局).

(h) *Shanghai Hao Yuan*

Shanghai Hao Yuan is a limited liability company established in the PRC and mainly engaged in property management, assets management and investment management. Shanghai Hao Yuan has 18 shareholders and none of these shareholders holds 30% or more equity interests in Shanghai Hao Yuan. The largest shareholders of Shanghai Hao Yuan are Shanghai Jiading Xinqin Industrial Trades Co., Ltd. (上海嘉定辛勤工貿有限公司) and Shanghai Baiqiang Industrial United Centre (上海白牆工業聯合中心), each of which holds approximately 10% equity interests in Shanghai Hao Yuan.

(i) *Gold Wings Holdings Limited*

Gold Wings Holdings Limited was incorporated in the BVI on December 10, 2020, and is wholly-owned by Wu Yi (吳毅). Gold Wings Holdings Limited is primarily engaged in investment.

(j) *Zhengzhou Chengxin*

Zhengzhou Chengxin is a limited liability company established in the PRC and mainly engaged in the management of public utilities. Zhengzhou Chengxin is ultimately wholly-owned by State-owned Assets Affairs Centre of Shangjie District of Zhengzhou (鄭州市上街區國有資產事務中心).

To the best of the Aquila Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of the PIPE Investors and its ultimate beneficial owner(s) are third parties independent of Aquila and the Target Company and their respective connected persons; (ii) each of the PIPE Investors satisfies the independence requirements consistent with those that apply to an independent financial advisor under Listing Rule 13.84; (iii) each of the PIPE Investors is a Professional Investor; and (iv) Xuzhou Zhenxin, Yulong Group, Orient Asset Management, Trafigura HK and Sichuan Pu Xin satisfy the "sophisticated investor" requirements in Guidance Letter HKEX-GL113-22.

5. Use of Proceeds

The gross proceeds from the PIPE Investments will be HK\$605,300,000. The gross proceeds arising from the PIPE Investments, after deduction of fees, commissions and expenses, will be used for the following:

- (a) approximately 25% will be used to enhance the Successor Group's service offerings through digitalization;
- (b) approximately 20% will be used to broaden the Successor Group's buyer base and increase their stickiness;
- (c) approximately 20% will be used to strengthen the Successor Group's technological capabilities;

- (d) approximately 25% will be used to explore cross-industry expansion; and
- (e) approximately 10% will be used for working capital and general corporate purposes.

Further details of the use of proceeds will be set out in the Circular.

G. PROMOTER EARN-OUT RIGHT

As disclosed in Aquila's offering circular dated March 14, 2022, the Promoter Agreement, dated as of March 13, 2022 by and among Aquila, the Promoters and other parties named therein, provides that the Promoters are entitled to receive additional Aquila Class A Shares, subject to approval of the Aquila Shareholders as part of the De-SPAC Transaction.

Pursuant to the Promoters Earn-out and Lock-up Agreement, the Successor Company will, subject to the conditions and adjustment described below, issue to the Promoters 12,508,125 new Successor Company Class A Shares, credited as fully paid (the "**Promoter Earn-out Shares**") (the "**Promoter Earn-out Right**"). The number of Promoter Earn-out Shares together with the number of Aquila Class B Shares (for which the Promoters will receive an equivalent number of Successor Company Class A Shares immediately following the Effective Time), represents 29.275% of the total number of shares that Aquila had in issue as at the date of its listing.

The Promoter Earn-out Right will be triggered only if the volume weighted average price of the Successor Company Class A Shares (calculated based on the daily quotation sheets of the Stock Exchange) equals or exceeds HK\$12.00 per share for any 20 trading days within any 30-trading day period commencing six months after Closing and ending on the fifth anniversary of the date of Closing. For the avoidance of doubt, the Promoters will only be entitled to receive the Promoter Earn-out Shares once (if applicable).

The number of Promoter Earn-out Shares is subject to adjustment following Closing if the Aquila Contributed Funds are less than HK\$200 million, in which case the number of Promoter Earn-out Shares that will be issued pursuant to the Promoter Earn-out Right will be reduced by such number (the "**Adjustment Amount**") being equal to the difference between HK\$200 million and the Aquila Contributed Funds *multiplied* by 1/400,000,000 *multiplied* by 12,508,125, rounded down to the nearest whole number, and provided that the Adjustment Amount will be subject to a maximum of 6,254,062 Promoter Earn-out Shares.

The Promoter Earn-out Right is subject to approval by ordinary resolution at the EGM of the Aquila Shareholders convened to approve the De-SPAC Transaction, and the Promoters and their close associates cannot vote on the relevant ordinary resolution regarding the Promoter Earn-out Right.

The Promoter Earn-out Right will be cancelled and become void if the De-SPAC Transaction is not completed.

H. OTHER ARRANGEMENTS

1. Promoters Earn-out and Lock-up Agreement

Concurrently with the execution of the Business Combination Agreement, Aquila, the Target Company, the Promoters and other parties named therein entered into an agreement (the “**Promoters Earn-out and Lock-up Agreement**”), pursuant to which, among other things, and subject to the terms and conditions set forth therein, each of the Promoters has agreed (a) not to transfer the Successor Company Shares held by such Promoter for a period of twelve months from the date of Closing, and (b) to unconditionally and irrevocably waive their Appraisal Right pursuant to the Cayman Companies Act in respect to all Aquila Shares held by such Promoter with respect to the Merger.

As explained in “*E. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (e) Merger consideration*” above, immediately following the Effective Time, each Aquila Promoter Warrant will be automatically canceled and cease to exist in exchange for one Successor Company Promoter Warrant (subject to adjustment as explained below).

Pursuant to the Promoters Earn-out and Lock-up Agreement, each of the Promoters has agreed that the number of Successor Company Promoter Warrants will be subject to adjustment following Closing as follows:

- (a) if the Aquila Contributed Funds are less than HK\$200 million, all of the Successor Company Promoter Warrants will be forfeited and cancelled for no consideration; or
- (b) if the Aquila Contributed Funds are equal to or greater than HK\$200 million but less than HK\$500 million, the number of Successor Company Promoter Warrants to be forfeited and cancelled will be equal to the difference between HK\$500 million and the Aquila Contributed Funds *multiplied* by 1/300,000,000 *multiplied* by the total number of Aquila Promoter Warrants issued and outstanding as of immediately prior to the Effective Time, rounded down to the nearest whole number.

If the Aquila Contributed Funds are equal to or greater than HK\$500 million, no adjustment will be made to the number of Successor Company Promoter Warrants and no Successor Company Promoter Warrant will be forfeited and cancelled, in which case the number of Successor Company Promoter Warrants upon completion of the De-SPAC Transaction will be equal to the number of Aquila Promoter Warrants immediately prior to the Effective Time.

The amount of the Aquila Contributed Funds will be finally determined by the Successor Company and the Promoters (each acting in good faith) pursuant to the Promoters Earn-out and Lock-up Agreement.

The Promoters Earn-out and Lock-up Agreement also provides for the Promoter Earn-out Right as detailed under the section headed “*G. Promoter Earn-out Right*” above.

2. **Controlling Shareholders Lock-up Agreement**

Concurrently with the execution of the Business Combination Agreement, Aquila, the Target Company, the Major Target Shareholders, Mr. Rao Huigang (together with the Major Target Shareholders and their respective investment holding entities, each a “**Controlling Shareholder**”) and certain other parties named therein entered into a lock-up agreement (the “**Controlling Shareholders Lock-up Agreement**”), pursuant to which, among other things, and subject to the terms and conditions set forth therein, each Controlling Shareholder has agreed not to, and will procure that none of their intermediate holding entities will, transfer any securities of the Successor Company beneficially owned by such Controlling Shareholder for a period of twelve months from the date of Closing.

3. **Orderly Sale Agreement**

Concurrently with the execution of the Business Combination Agreement, Aquila, the Target Company and certain shareholders of the Target Company (other than the Controlling Shareholders), which in aggregate hold 99.1% of the Target Company Preferred Shares as of the date of the Business Combination Agreement (each a “**Restricted Shareholder**”) entered into an orderly sale agreement (the “**Orderly Sale Agreement**”), pursuant to which, among other things and subject to the terms and conditions set forth therein, each Restricted Shareholder has agreed, for the initial consecutive 30-day period commencing on the date of Closing and for each subsequent consecutive 30-day period thereafter until the end of 180 days from the date of Closing, not to sell or otherwise dispose of more than 2% of the Successor Company Class A Shares held by such Restricted Shareholder as of immediately after Closing (the “**Base Monthly Permitted Amount**”); provided that if the amount of Successor Company Class A Shares sold or otherwise disposed of by a Restricted Shareholder in any given 30-day period is less than the Base Monthly Permitted Amount, in any subsequent 30-day period such Restricted Shareholder may sell or otherwise dispose of additional Successor Company Class A Shares equal to the balance of such Base Monthly Permitted Amount, subject to the condition that such Restricted Shareholder shall not sell or otherwise dispose of more than 5% of the Successor Company Class A Shares held by such Restricted Shareholder immediately after Closing during any subsequent 30-day period within the first 180 days from the date of Closing.

4. **Successor Company Listed Warrant Instrument**

Concurrently with the execution of the Business Combination Agreement, the Target Company approved and adopted the listed warrant instrument by way of deed poll (the “**Successor Company Listed Warrant Instrument**”), to take effect immediately prior to the Merger and containing the terms and conditions of the Successor Company Listed Warrants, which are substantially the same as the terms and conditions of the Aquila Listed Warrants under the Aquila Listed Warrant Instrument. Details of the terms and conditions of the Successor Company Listed Warrants will be disclosed in the Circular.

5. **Successor Company Promoter Warrant Agreement**

Concurrently with the execution of the Business Combination Agreement, the Target Company, the Promoters and certain other parties named therein entered into a warrant agreement (the “**Successor Company Promoter Warrant Agreement**”), to take effect immediately prior to the Merger and containing the terms and conditions of the Successor Company Promoter Warrants, which are substantially the same as the terms and conditions of the Aquila Promoter Warrants under the Aquila Promoter Warrant Agreement. Details of the terms and conditions of the Successor Company Promoter Warrants will be disclosed in the Circular.

6. **Amendment of the Aquila Listed Warrant Instrument**

Pursuant to Condition 11.2(a)(iii) of the terms and conditions of the Aquila Listed Warrants set out in schedule 2 to the Aquila Listed Warrant Instrument, the Aquila Board has resolved to add the following new clause 5A to the Aquila Listed Warrant Instrument:

“5A. Exchange of Listed Warrants for Successor Company Listed Warrants and Termination of This Instrument

In the event that the Successor Company which is listed on the Stock Exchange upon the completion of a De-SPAC Transaction is the De-SPAC Target and not the Company:

- (a) each Listed Warrant may by a resolution of the board of directors of the Company be cancelled in exchange for an equivalent listed warrant in the Successor Company on substantially the same terms and conditions as the Listed Warrants; and
- (b) this Instrument may by a resolution of the board of directors of the Company be terminated upon the Successor Company executing a warrant instrument with substantially the same terms and conditions as this Instrument.”

The Aquila Board has deemed the addition of clause 5A to the Aquila Listed Warrant Instrument (a) to be necessary or desirable to give effect to the arrangements of the De-SPAC Transaction with respect to the Aquila Listed Warrants, and (b) on the basis that each Aquila Listed Warrant will be exchanged for an equivalent Successor Company Listed Warrant on substantially the same terms and conditions, and the Successor Company will assume each such Aquila Listed Warrant in accordance with its terms, the addition of such clause 5A to the Aquila Listed Warrant Instrument would not adversely affect the rights of the Aquila Listed Warrantholders in any material respect.

Based on the above, the amendment to the Aquila Listed Warrant Instrument does not require the consent of any holder of the Aquila Listed Warrants pursuant to the terms of the Aquila Listed Warrant Instrument but is subject to the approval of the Stock Exchange under Listing Rule 15.06, the approval of which has been granted.

A notice of the above amendment to the Aquila Listed Warrant Instrument will be given to the Aquila Listed Warrantholders by way of an announcement published on the websites of the Stock Exchange and Aquila.

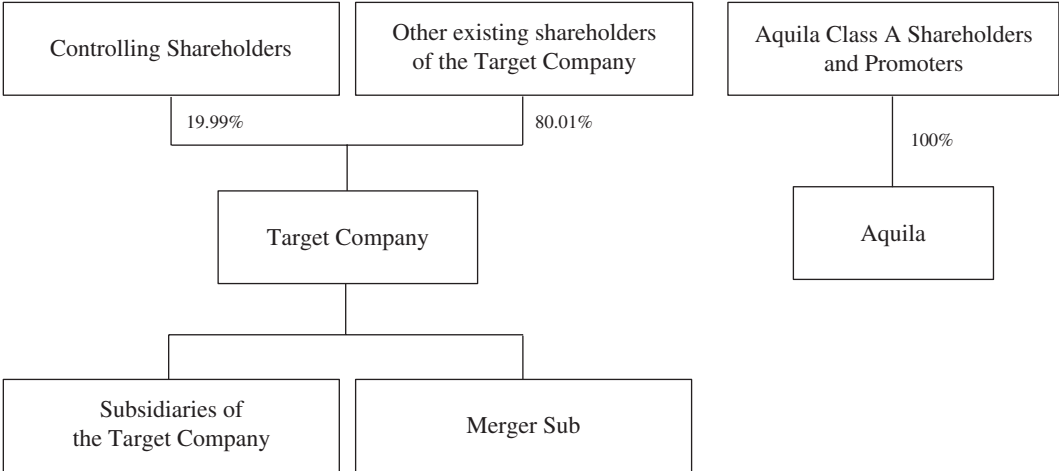
I. EFFECT OF THE DE-SPAC TRANSACTION ON SHAREHOLDINGS IN AQUILA AND THE SUCCESSOR COMPANY

As explained in “*E. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (e) Merger consideration*” above, immediately prior to the Effective Time, each Aquila Class B Share will automatically cease to exist and will be converted into one Aquila Class A Share in accordance with the terms of the Aquila Articles, and immediately following the Effective Time, (i) each Aquila Class A Share (excluding the Aquila Class A Shares issued in connection with the Aquila Class B Conversion, the Redeeming Aquila Shares and the Dissenting Aquila Shares) will be automatically canceled and cease to exist in exchange for the right to receive one and five hundredths (1.05) of a newly issued Successor Company Class A Share and each Aquila Class A Share issued in connection with the Aquila Class B Conversion will be automatically canceled and cease to exist in exchange for the right to receive one newly issued Successor Company Class A Share, (ii) each Redeeming Aquila Share will be automatically canceled and cease to exist in exchange for the right to receive the Redemption Price, (iii) each Dissenting Aquila Share will automatically be canceled and cease to exist in exchange for the right to receive the fair value of such shares or (unless and until the Dissenting Aquila Shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Class A Share, and (iv) each Aquila Warrant will be automatically canceled and cease to exist in exchange for one applicable Successor Company Warrant.

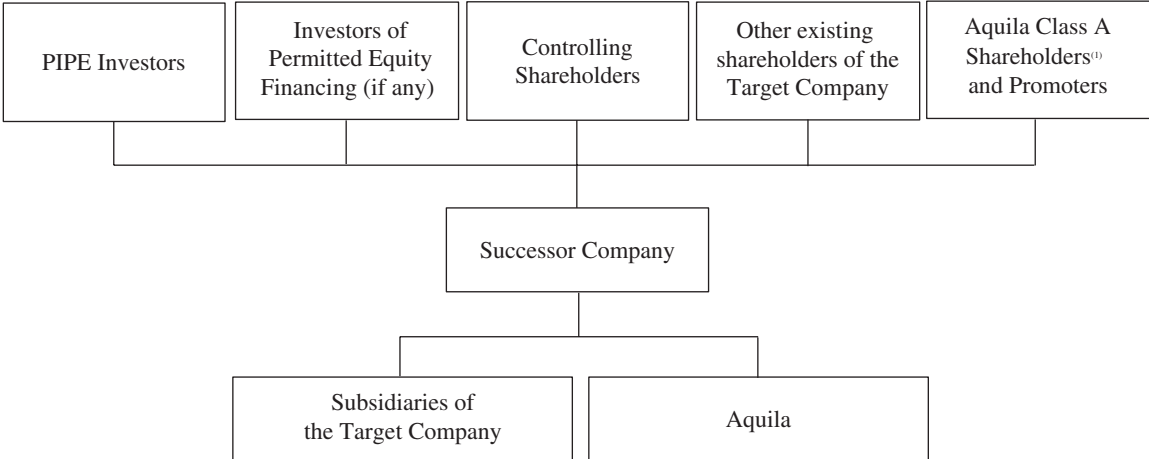
Aquila Class A Shareholders (excluding the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders) and Aquila Class B Shareholder(s) will become shareholders of the Successor Company together with the PIPE Investors, investors of the Permitted Equity Financing (if any) and the existing shareholders of the Target Company.

1. Corporate Structure

Simplified corporate structure charts of the Target Group and Aquila immediately prior to the De-SPAC Transaction are set out below:



The simplified corporate structure chart of the Successor Group immediately upon Closing is set out below:



Note:

(1) Excluding the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders.

2. Expected Shareholding and Voting Rights in the Successor Company and Potential Dilution Effect of the De-SPAC Transaction

(a) Assuming no redemption of Aquila Class A Shares

Assuming no Aquila Class A Shareholders elect to redeem any Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised, the expected shareholding and voting rights in the Successor Company immediately after Closing are set out below:

Shareholders of the Successor Company	Number of shares	% ⁽¹⁾	Voting Power	% ⁽¹⁾
Existing Shareholders of the Target Company	1,000,400,000	84.1%	2,719,722,757	93.5%
Mr. Wang Dong ⁽²⁾	157,523,425	13.2%	1,575,234,246	54.1%
Mr. Wang Changhui ⁽³⁾	33,512,437	2.8%	335,124,372	11.5%
WVR Beneficiaries	191,035,862	16.1%	1,910,358,619	65.7%
Mr. Rao Huigang ⁽⁴⁾	36,108,114	3.0%	36,108,114	1.2%
Controlling Shareholders	227,143,976	19.1%	1,946,466,732	66.9%
Fatcat International Limited	173,145,133	14.5%	173,145,133	6.0%
Ms. Gong Yingxin	2,212,545	0.2%	2,212,545	0.1%
Ms. Zhou Min	331,882	0.0%	331,882	0.0%
Other grantees under Target Company ESOP	27,590,079	2.3%	27,590,079	0.9%
Target Company ESOP (excluding options granted to WVR Beneficiaries)⁽⁵⁾	30,134,506	2.5%	30,134,506	1.0%
Other existing shareholders	569,976,386	47.9%	569,976,386	19.6%
PIPE Investors	60,530,000	5.1%	60,530,000	2.1%
Xuzhou Zhenxin	10,000,000	0.8%	10,000,000	0.3%
Yulong Group	10,000,000	0.8%	10,000,000	0.3%
Orient Asset Management	5,500,000	0.5%	5,500,000	0.2%
Trafigura HK	3,280,000	0.3%	3,280,000	0.1%
Sichuan Pu Xin	1,500,000	0.1%	1,500,000	0.1%
Ninghai Zhenwei	16,300,000	1.4%	16,300,000	0.6%
Xuchang Industrial Investment	5,500,000	0.5%	5,500,000	0.2%
Shanghai Hao Yuan	5,450,000	0.5%	5,450,000	0.2%
Gold Wings Holdings Limited	2,000,000	0.2%	2,000,000	0.1%
Zhengzhou Chengxin	1,000,000	0.1%	1,000,000	0.0%
Aquila Class A Shareholders	105,068,250	8.8%	105,068,250	3.6%
The Promoters	24,109,411	2.0%	24,109,411	0.8%
Total	1,190,107,661	100.0%	2,909,430,418	100.0%

Notes:

- (1) The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them.

- (2) This includes 24,575,290 options granted to Mr. Wang Dong under the Target Company ESOP. Mr. Wang Dong plans to exercise all the options granted to him under the Target Company ESOP prior to Closing. Upon full exercise of such options, Mr. Wang Dong will receive 24,575,290 Target Company Ordinary Shares, which will be reclassified as 27,186,962 Successor Company Class B Shares after the Pre-Merger Capital Restructuring. Mr. Wang Dong holds interests in the Target Company through Wangdong Holdings Limited, which is wholly-owned by Jeremy Global Development Limited, which is in turn wholly-owned by TMF (Cayman) Ltd. as trustee for a trust established by Mr. Wang Dong (as settlor) for the benefit of Mr. Wang Dong and his family.
- (3) This includes 12,887,680 options granted to Mr. Wang Changhui under the Target Company ESOP. Mr. Wang Changhui plans to exercise all the options granted to him under the Target Company ESOP prior to the Closing. Upon full exercise of such options, Mr. Wang Changhui will receive 12,887,680 Target Company Ordinary Shares, which will be reclassified as 14,257,283 Successor Company Class B Shares after the Pre-Merger Capital Restructuring. Mr. Wang Changhui holds interests in the Target Company through Wangchanghui Holdings Limited, which is wholly-owned by Kiwi Global Development Limited, which is in turn wholly-owned by TMF (Cayman) Ltd. as trustee for a trust established by Mr. Wang Changhui (as settlor) for the benefit of Mr. Wang Changhui and his family.
- (4) Mr. Rao Huigang holds interests in the Target Company through Raohuigang Holdings, which is controlled by Restriven Limited, which is in turn wholly-owned by TMF (Cayman) Ltd. as trustee for a trust established by Mr. Rao Huigang (as settlor) for the benefit of Mr. Rao Huigang and his family. In light of the Concert Party Agreement, each of the Concert Parties will be deemed to be interested in all the shares held by them in aggregate by virtue of the SFO. Accordingly, the effective voting power of the WVR Beneficiaries as set out in the table has included that of Mr. Rao Huigang.
- (5) This represents the maximum number of shares in the Successor Company which may be issued pursuant to the Target Company ESOP assuming the full exercise of the options granted under the Target Company ESOP (excluding options granted to Mr. Wang Dong and Mr. Wang Changhui). The Target Company ESOP was adopted on July 14, 2023. As of the date of this announcement, the Target Company had granted a total of 52,887,970 options to 11 grantees, representing 81.7% of the maximum options to be granted under the Target Company ESOP. These grantees include (i) four Directors of the Target Company, namely Mr. Wang Dong, Mr. Wang Changhui, Ms. Gong Yingxin and Ms. Zhou Min; and (ii) seven senior management members of the Target Company. Further details of the Target Company ESOP will be set out in the Circular.

The Successor Company Listed Warrants and the Successor Company Promoter Warrants will only become exercisable 30 days and 12 months after Closing, respectively, and subject to the satisfaction of certain conditions. If the Successor Company Warrants are exercised in full, an aggregate of 31,630,369 Successor Company Shares will be issued, representing a maximum dilution impact of 2.6% in the shareholding and 1.1% in the voting power in the Successor Company immediately after Closing, assuming no Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised.

The Promoter Earn-out Shares may only be issued commencing six months after Closing and subject to the satisfaction of certain conditions. Assuming no adjustments to the number of Promoter Earn-out Shares pursuant to the terms and conditions of the Promoters Earn-out and Lock-up Agreement and the Promoter Earn-out Shares are issued in full, an aggregate of 12,508,125 Successor Company Shares will be issued, representing a maximum dilution impact of 1.0% in the shareholding and 0.4% in the voting power in the Successor Company immediately after Closing, assuming no Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised. See “G. Promoter Earn-out Right” and “H. Other Arrangements – 1. Promoters Earn-out and Lock-up Agreement” above for further details on the Promoter Earn-out Right.

(b) Assuming full redemption of Aquila Class A Shares

Assuming all Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised, the expected shareholding and voting rights in the Successor Company immediately after Closing are set out below:

Shareholders of the Successor Company	Number of shares	% ⁽¹⁾	Voting Power	% ⁽¹⁾
Existing Shareholders of the Target Company	1,000,400,000	92.2%	2,719,722,757	97.0%
Mr. Wang Dong ⁽²⁾	157,523,425	14.5%	1,575,234,246	56.2%
Mr. Wang Changhui ⁽³⁾	33,512,437	3.1%	335,124,372	12.0%
WVR Beneficiaries	191,035,862	17.6%	1,910,358,619	68.1%
Mr. Rao Huigang ⁽⁴⁾	36,108,114	3.3%	36,108,114	1.3%
Controlling Shareholders	227,143,976	20.9%	1,946,466,732	69.4%
Fatcat International Limited	173,145,133	16.0%	173,145,133	6.2%
Ms. Gong Yingxin	2,212,545	0.2%	2,212,545	0.1%
Ms. Zhou Min	331,882	0.0%	331,882	0.0%
Other grantees under Target Company ESOP	27,590,079	2.5%	27,590,079	1.0%
Target Company ESOP (excluding options granted to WVR Beneficiaries)⁽⁵⁾	30,134,506	2.8%	30,134,506	1.1%
Other existing shareholders	569,976,386	52.5%	569,976,386	20.3%
PIPE Investors	60,530,000	5.6%	60,530,000	2.2%
Xuzhou Zhenxin	10,000,000	0.9%	10,000,000	0.4%
Yulong Group	10,000,000	0.9%	10,000,000	0.4%
Orient Asset Management	5,500,000	0.5%	5,500,000	0.2%
Trafigura HK	3,280,000	0.3%	3,280,000	0.1%
Sichuan Pu Xin	1,500,000	0.1%	1,500,000	0.1%
Ninghai Zhenwei	16,300,000	1.5%	16,300,000	0.6%
Xuchang Industrial Investment	5,500,000	0.5%	5,500,000	0.2%
Shanghai Hao Yuan	5,450,000	0.5%	5,450,000	0.2%
Gold Wings Holdings Limited	2,000,000	0.2%	2,000,000	0.1%
Zhengzhou Chengxin	1,000,000	0.1%	1,000,000	0.0%
Aquila Class A Shareholders	0	0.0%	0	0.0%
The Promoters	24,109,411	2.2%	24,109,411	0.9%
Total	1,085,039,411	100.0%	2,804,362,168	100.0%

Notes:

See Notes (1) to (5) in the preceding table on expected shareholding and voting rights in the Successor Company immediately after Closing assuming no Aquila Class A Shareholder elects to redeem any Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised.

The Successor Company Listed Warrants and the Successor Company Promoter Warrants will only become exercisable 30 days and 12 months after Closing, respectively, and subject to the satisfaction of certain conditions. If the Successor Company Warrants are exercised in full, an aggregate of 18,061,733 Successor Company Shares will be issued, representing a maximum dilution impact of 1.6% in the shareholding and 0.6% in the voting power in the Successor Company immediately after Closing, assuming all Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised.

The Promoter Earn-out Shares may only be issued commencing six months after Closing and subject to the satisfaction of certain conditions. Assuming no adjustments to the number of Promoter Earn-out Shares pursuant to the terms and conditions of the Promoters Earn-out and Lock-up Agreement and the Promoter Earn-out Shares are issued in full, an aggregate of 12,508,125 Successor Company Shares will be issued, representing a maximum dilution impact of 1.1% in the shareholding and 0.4% in the voting power in the Successor Company immediately after Closing, assuming all Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised. See “*G. Promoter Earn-out Right*” and “*H. Other Arrangements – 1. Promoters Earn-out and Lock-up Agreement*” above for further details on the Promoter Earn-out Right.

Aquila will apply for the withdrawal of listing of the Aquila Class A Shares and Aquila Listed Warrants and the Successor Company will apply for the listing of the Successor Company Class A Shares and the Successor Company Listed Warrants.

Details of the procedures by which Aquila Class A Shareholders and Warrantholders’ securities will be canceled and exchanged for Successor Company Class A Shares and Successor Company Warrants will be set out in the Circular.

3. Public Float

Upon Closing, among the existing shareholders of the Target Company other than the Controlling Shareholders, Fatcat International Limited will become a connected person of the Successor Company. Fatcat International Limited is an investment holding company incorporated in the British Virgin Islands, wholly-owned by Shanghai Hemao Corporate Management Consultancy Center (L.P.) (上海赫貓企業管理諮詢中心(有限合夥)) (“**Shanghai Hemao**”), which is managed by Shanghai Yanmao Corporate Management Consultancy Co., Ltd. (上海晏貓企業管理諮詢有限公司), its general partner. The limited partners of Shanghai Hemao are certain onshore investors of the Target Company.

The Controlling Shareholders, Fatcat International Limited, Ms. Gong Yingxin (as a proposed executive Director and senior vice president of the Successor Company), and Ms. Zhou Min (as a proposed executive Director and financial vice president of the Successor Company), will be core connected persons of the Successor Company.

Immediately after Closing, the Successor Company Shares held by the Controlling Shareholders, Fatcat International Limited and the respective holding companies of Ms. Gong Yingxin and Ms. Zhou Min, representing approximately 33.8% (assuming no Aquila Class A Shareholders elect to redeem any Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised), or 37.1% (assuming all Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised) of the then issued and outstanding Successor Company Shares, will not be counted towards the public float.

Except as stated above, the existing shareholders of the Target Company, the grantees under the Target Company ESOP (assuming all options granted under the Target Company ESOP are exercised), the PIPE Investors, the Aquila Class A Shareholders and the Promoters will not be core connected persons of the Successor Company and will not be accustomed to taking instructions from the core connected persons in relation to the acquisition, disposal, voting or other disposition of the Successor Company Shares held or to be allotted to them, therefore the Successor Company Shares held by them will count towards the public float upon Closing.

Based on the above, the public float of the Successor Company immediately after Closing will be 66.2% (assuming no Aquila Class A Shareholders elect to redeem any Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised), or 62.9% (assuming all Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised).

Taking into account the Successor Company Shares that may be issued upon exercise of the Successor Company Warrants and the Promoter Earn-out Shares, the public float of the Successor Company will be 67.4% (assuming no Aquila Class A Shareholders elect to redeem any Aquila Class A Shares, no Aquila Class A Shareholders exercise their Appraisal Right, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised), or 63.9% (assuming all Aquila Class A Shareholders elect to redeem their Aquila Class A Shares, there is no Permitted Equity Financing and all options granted under the Target Company ESOP are exercised).

The Successor Company will comply with the minimum public float requirement under Listing Rule 8.08(1)(a) under any of or any combination of the scenarios involving issue of the Successor Company Shares.

J. IMPLICATIONS OF THE DE-SPAC TRANSACTION UNDER THE LISTING RULES AND DEEMED NEW LISTING APPLICATION

Aquila is required to comply with applicable Listing Rules regarding reverse takeovers with respect to the De-SPAC Transaction. Under Listing Rule 14.54, the Successor Company will be treated as if it were a new listing applicant. The Target Group is required to meet the requirements under Listing Rules 8.04 and 8.05 and the Successor Group is required to meet all the new listing requirements set out in Chapter 8 of the Listing Rules (except Listing Rule 8.05). The Successor Company is required to submit a new listing application to the Stock Exchange for the listing of, and permission to deal in, the Successor Company Class A Shares and the Successor Company Listed Warrants in accordance with the requirements for new listing applicants as set out in Chapter 9 of the Listing Rules.

The new listing application is subject to approval by the Listing Committee, which may or may not grant its approval. If such approval is not granted, the Business Combination Agreement will not become unconditional and the De-SPAC Transaction will not proceed.

The Successor Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Successor Company Class A Shares and the Successor Company Warrants on the Main Board of the Stock Exchange. Aquila will make an application to the Stock Exchange for the withdrawal of listing of the Aquila Class A Shares (which will be subject to approval by Aquila Class A Shareholders) and the Aquila Listed Warrants. Upon the Closing, the listing statuses of the Aquila Class A Shares and the Aquila Listed Warrants will be withdrawn, and the Successor Company Class A Shares and the Successor Company Listed Warrants will become listed on the Main Board of the Stock Exchange.

The grant of the Promoter Earn-out Right (pursuant to which the Successor Company will issue Successor Company Class A Shares to the Promoters upon the satisfaction of certain performance targets and other conditions) does not constitute a transaction of Aquila. Pursuant to Note 1(f) to Listing Rule 18B.29(1), the Promoter Earn-out Right is subject to approval by ordinary resolution at the EGM of the Aquila Shareholders convened to approve the De-SPAC Transaction with such earn-out right included in the resolution approving the De-SPAC Transaction.

The De-SPAC Transaction is conditional upon, and the terms of the PIPE Investments, the Bonus Share Issue, the Promoter Earn-out Right, the Permitted Equity Financing and the withdrawal of listing of the Aquila Class A Shares will be subject to, approval by the Aquila Class A Shareholders at the EGM and compliance with applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of listing), unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange.

K. WAIVER FROM APPLICATION OF RULE 26.1 OF THE TAKEOVERS CODE

Immediately upon completion of the De-SPAC Transaction and taking into account the WVR structure, the Concert Parties (including the Controlling Shareholders) will hold approximately 19.1% of the total issued share capital and approximately 66.9% of the total voting rights in the Successor Company (assuming that (i) the Pre-Merger Capital Restructuring is completed; (ii) no Aquila Class A Shareholders exercise their Redemption Right with respect to their Aquila Class A Shares; (iii) no Aquila Class A Shareholders exercise their Appraisal Right; (iv) 60,530,000 Successor Company Class A Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements; (v) the WVR structure is adopted by the Successor Company; (vi) there is no Permitted Equity Financing and (vii) all options granted under the Target Company ESOP are exercised).

Accordingly, the proposed acquisition by the Controlling Shareholders of 30% or more of the voting rights in the Successor Company upon Closing pursuant to the De-SPAC Transaction would trigger a technical mandatory general offer obligation under Rule 26.1 of the Takeovers Code unless a waiver is granted.

The Target Company and the Controlling Shareholders have applied for, and the Securities and Futures Commission has granted, a waiver from the application of Rule 26.1 of the Takeovers Code in relation to the De-SPAC Transaction.

Accordingly, the Takeovers Code will not apply to the De-SPAC Transaction. No general offer will be made by the Controlling Shareholders for the Successor Company Class A Shares and no offer period will commence upon the publication of this announcement.

L. SHARE REDEMPTIONS

Prior to the EGM to approve the De-SPAC Transaction, Aquila will provide Aquila Class A Shareholders with the opportunity to elect to redeem all or part of their holdings of Aquila Class A Shares for an amount per Aquila Class A Share equal to the Redemption Price, to be paid out of the monies held in the Escrow Account. The Redemption Price, payable in cash, will be equal to the aggregate amount then on deposit in the Escrow Account calculated as of two Business Days prior to the EGM (including interest earned on the funds held in the Escrow Account and which has not previously been released or approved by the Aquila Board for release to Aquila to pay for its expenses or taxes), divided by the number of the then issued and outstanding Aquila Class A Shares. **The Redemption Price will in any case be no less than HK\$10.00 per Aquila Class A Share, being the price at which the Aquila Class A Shares were issued in Aquila's initial offering.** The Redemption Price is expected to be determined on or around two Business Days prior to the EGM.

There is no limit on the number of Aquila Class A Shares which an Aquila Class A Shareholder (alone or together with their close associates) may redeem. Aquila Class A Shareholders may elect to redeem their Aquila Class A Shares irrespective of whether they vote for or against the De-SPAC Transaction at the EGM.

The election period for the Share Redemption starts on the date of the notice of the EGM and ends on the date and time of commencement of the EGM. The Share Redemption and payment of the Redemption Price to the Redeeming Aquila Shareholders will be completed within five Business Days following Closing.

A Share Redemption election will not be accepted unless the election is accompanied by the delivery of the relevant number of Aquila Class A Shares. Further details of the election procedures will be set out in the Circular and the form of election. The form of election will be dispatched to Aquila Class A Shareholders together with the notice of EGM and the Circular, as described in “*N. EGM and Circular*” below.

If the De-SPAC Transaction is not completed, Aquila will not redeem any Aquila Class A Shares and all Share Redemption requests will be canceled. Redeeming Aquila Shareholders are strongly recommended to vote FOR the resolution to be proposed at the EGM even if you choose to redeem all or some of Aquila Class A Shares.

Aquila Warrantholders have no redemption rights with respect to their warrants. Each Aquila Warrant will be exchanged for one Successor Company Warrant upon Closing, which will be exercisable on a cashless basis for one Successor Company Class A Share per Successor Company Warrant at the warrant exercise price of HK\$11.50.

Redeeming Aquila Shareholders who exercise their Redemption Right to redeem all of their holdings of Aquila Class A Shares will not be able to exercise their Appraisal Right. See “*M. Appraisal Right of Dissenting Aquila Shareholders*” below for details on the Appraisal Right.

M. APPRAISAL RIGHT OF DISSENTING AQUILA SHAREHOLDERS

Section 238 of the Cayman Companies Act provides for the Appraisal Right of the Dissenting Aquila Shareholders to be paid the fair value of their Aquila Shares, subject to limitations under Section 239 of the Cayman Companies Act.

Aquila Shareholders have the Appraisal Right in connection with the De-SPAC Transaction under the Cayman Companies Act. Aquila Shareholders who wish to exercise their Appraisal Right must follow the statutory procedures prescribed in the Cayman Companies Act as further explained below.

1. Procedures for exercising the Appraisal Right

The statutory procedures prescribed in the Cayman Companies Act for exercise of the Appraisal Right are as follows:

- (a) A Dissenting Aquila Shareholder should give a written objection to Aquila before the EGM, containing a statement that it proposes to object to the Merger and demands payment for its Aquila Shares if the Merger is approved by the Aquila Shareholders at the EGM (a “**Written Objection**”). For the avoidance of doubt, the giving of a Written Objection does not represent a vote at the EGM. Aquila Shareholders may vote for or against the De-SPAC Transaction at the EGM irrespective of whether they wish to exercise their Appraisal Right and are not required to vote against the De-SPAC Transaction at the EGM in order to exercise their Appraisal Right.
- (b) Upon receipt of the Written Objection and within 20 days immediately following the EGM, Aquila shall give written notice of the approval of the Merger (if it is so approved at the EGM) to each Dissenting Aquila Shareholder who gave a Written Objection.

- (c) Within 20 days immediately following the date on which the written notice of the approval of the Merger is given (the “**Dissenting Period**”), each Dissenting Aquila Shareholder must give Aquila a written notice of its decision to dissent (“**Appraisal Right Exercise Notice**”), stating (i) its name and address, (ii) the number and classes of Aquila Shares in respect of which it dissents, and (iii) a demand for payment of the fair value of its Aquila Shares. A Dissenting Aquila Shareholder must dissent and exercise its Appraisal Right in respect of all (and not part only) of its holding of Aquila Shares.
- (d) Within seven days immediately following the date of expiration of the Dissenting Period or within seven days immediately following the date on which the Aquila Plan of Merger is filed with the Cayman Registrar, whichever is later, Aquila or the Successor Company (as applicable) will make a written offer (the “**Purchase Offer**”) to each Dissenting Aquila Shareholder to purchase its Dissenting Aquila Shares at a specified price determined by the Aquila Board to be the fair value of the Aquila Shares (the “**Purchase Price Offer**”). See “– 2. *Fair value of Aquila Shares*” below for the determination of fair value of the Aquila Shares.
- (e) Within 30 days immediately following the date on which the Purchase Offer is made, if the Dissenting Aquila Shareholder agrees with the Purchase Price Offer, such amount will be paid forthwith in cash to the Dissenting Aquila Shareholder.
- (f) If the Dissenting Aquila Shareholder does not agree with the Purchase Price Offer, Aquila or the Successor Company (as applicable) will, and the Dissenting Aquila Shareholder may, file a petition with the Cayman Court for a determination of the fair value of the Dissenting Aquila Shares of all Dissenting Aquila Shareholders. At the hearing of such petition, the Cayman Court shall determine the fair value of the Dissenting Aquila Shares to be paid to each Dissenting Aquila Shareholder. The costs of the proceeding may be determined by the Cayman Court and taxed upon the parties as the Cayman Court deems equitable in the circumstances (i.e. the Cayman Court will determine whether the costs of the proceedings should be borne by the Dissenting Aquila Shareholder(s) and/or Aquila or the Successor Company (as applicable) and the amount to be borne by each party).

2. **Fair value of Aquila Shares**

The Aquila Board will determine the fair value of the Aquila Shares with reference to the assets and liabilities position of Aquila and the Redemption Price. See “L. *Share Redemption*” above for determination of the Redemption Price. If the Dissenting Aquila Shareholders do not agree with the fair value determined by the Aquila Board and file a petition with the Cayman Court for a determination of the fair value of the Dissenting Aquila Shares, the Cayman Court will determine the fair value of the Dissenting Aquila Shares as at the date of the EGM at which the Merger is approved.

3. Consequences of exercising the Appraisal Right

Under the Cayman Companies Act, upon giving the Appraisal Right Exercise Notice, the Dissenting Aquila Shareholder will cease to have any right as an Aquila Shareholder (including the Redemption Right to redeem all or part of their holdings of Aquila Class A Shares) except the Appraisal Right, the right under Section 238(12) of the Cayman Companies Act to participate fully in all proceedings until the determination of fair value is reached and the right under Section 238(16) of the Cayman Companies Act to institute proceedings to obtain relief on the ground that the Merger is void or unlawful.

Pursuant to the Business Combination Agreement, Dissenting Aquila Shareholders will also have no right to receive any Successor Company Class A Shares or any other consideration under the De-SPAC Transaction unless and until such Dissenting Aquila Shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses its Appraisal Right under the Cayman Companies Act. The Aquila Shares held by Dissenting Aquila Shareholders who fail to perfect in accordance with the prescribed statutory procedure or withdraw or otherwise lose their Appraisal Rights under the Cayman Companies Act will cease to be Dissenting Aquila Shares and will be deemed to have been converted into the right to receive newly issued Successor Company Class A Shares immediately following the Effective Time pursuant to the Business Combination Agreement. A Dissenting Aquila Shareholder (even if such shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act and receives one newly issued Successor Company Class A Share for each Dissenting Aquila Share) will not receive any Bonus Shares with respect to all of his, her or its Dissenting Aquila Shares

Listing Rule 10.08 provides that no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of a listed issuer first commence dealing on the Stock Exchange. One of the exceptions to Listing Rule 10.08 is the issue of shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in the listing document issued in connection with the initial public offering. As the issuance of Successor Company Class A Shares to Dissenting Aquila Shareholders who fail to perfect in accordance with the prescribed statutory procedure or withdraw or otherwise lose their Appraisal Rights under the Cayman Companies Act, if any, will be pursuant to the Business Combination Agreement the material terms of which will be disclosed in the Circular (which is the listing document of the Successor Company), Successor Company Class A Shares may be issued to such Dissenting Aquila Shareholders within six months from the date of Closing.

Notwithstanding any exercise of the Appraisal Right by Dissenting Aquila Shareholders, upon the approval of the Merger and the De-SPAC Transaction by the Aquila Shareholders at the EGM, the Aquila Plan of Merger will be filed with the Cayman Registrar and the Merger will become effective at the Effective Time.

If the De-SPAC Transaction is not completed for any reason, Dissenting Aquila Shareholders will lose their Appraisal Right under the Cayman Companies Act and any Appraisal Right Exercise Notice given by Dissenting Aquila Shareholders will become void.

Further details of the Appraisal Right (including the procedures for exercising the Appraisal Right and the determination of fair value of the Aquila Shares) will be set out in the Circular. Aquila Shareholders who wish to exercise their Appraisal Right should seek their own advice on the application and procedure to be followed in respect of the appraisal rights under the Cayman Companies Act.

N. PROPOSED ADOPTION OF AQUILA PRIVATE COMPANY MEMORANDUM AND ARTICLES

Following the Merger and the withdrawal of listing of the Aquila Class A Shares, Aquila will become a private unlisted company and a wholly-owned subsidiary of the Successor Company. Subject to the approval by Aquila Shareholders at the EGM, upon the Effective Time, Aquila will adopt the Aquila Private Company Memorandum and Articles which will replace the existing Aquila Memorandum and Articles in their entirety. A summary of the Aquila Private Company Memorandum and Articles will be set out in the Circular.

O. EGM AND CIRCULAR

The De-SPAC Transaction (including the terms of the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing and the Promoter Earn-out Right) and the withdrawal of listing of the Aquila Class A Shares are subject to approval of the Aquila Shareholders at the EGM by ordinary resolutions. The Promoters and their respective close associates and any Aquila Shareholders and their close associates who have a material interest in the De-SPAC Transaction and the Promoter Earn-out Right are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the De-SPAC Transaction and the transactions contemplated thereunder (including the Promoter Earn-out Right).

The Merger is subject to approval by special resolution of two-thirds of the votes of the Aquila Shareholders at the EGM and the adoption of the Aquila Private Company Memorandum and Articles by Aquila is subject to approval of three-fourths of the votes of the Aquila Shareholders at the EGM. As the Merger forms part of the De-SPAC Transaction, in the event that the Merger or the adoption of the Aquila Private Company Memorandum and Articles by Aquila is not approved by the Aquila Shareholders at the EGM by special resolution, the De-SPAC Transaction will not be effected.

The Circular will contain, among other things, (i) further information on the De-SPAC Transaction (including the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing and the Promoter Earn-out Right), the Merger, the Target Group and other information as required to be disclosed under the Listing Rules; (ii) details of the exchange of Aquila Class A Shares and Aquila Listed Warrants for Successor Company Class A Shares and Successor Company Warrants pursuant to the De-SPAC Transaction and the withdrawal of the listing of Aquila Class A Shares and Aquila Listed Warrants; (iii) details of the Redemption Right and the Appraisal Right; (iv) a notice of the EGM; (v) a form of proxy and (vi) a form of election of redemption. Pursuant to Listing Rule 14.60(7), the Circular is required to be dispatched to the Aquila Shareholders within 15 Business Days from the date of this announcement.

The Circular is subject to review and comments by the Stock Exchange and will be dispatched to the Aquila Shareholders as soon as practicable after the Successor Company has obtained the approval in principle from the Listing Committee with respect to the new listing application. To allow sufficient time for Aquila and the Target Company to prepare the Circular and in view of the process required in connection with the new listing application by the Successor Company, Aquila expects that more time may be needed for the Stock Exchange to approve the Successor Company's new listing application and for the preparation of the Circular, which is expected to be dispatched in or around mid-November 2023.

It is expected that the EGM will be convened to be held in or around early December 2023.

P. CONSEQUENCES IF THE DE-SPAC TRANSACTION IS NOT APPROVED OR COMPLETED

If the De-SPAC Transaction is not approved by Aquila Class A Shareholders at the EGM or completed for any reason:

- Aquila will not redeem any Aquila Class A Shares and all Share Redemption requests will be canceled; and
- subject to the deadlines under the Listing Rules, the listings of the Aquila Class A Shares and Aquila Listed Warrants on the Stock Exchange will be maintained; **however**, Aquila may not have sufficient time to identify another de-SPAC target and negotiate a de-SPAC transaction before it is required to wind up as provided for in the Listing Rules.

Therefore, Aquila Class A Shareholders are strongly recommended to vote FOR the resolutions to be proposed at the EGM, EVEN IF you intend to elect to redeem some or all of your Aquila Class A Shares.

Q. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

- | | |
|--------------------------|---|
| “Appraisal Right” | the right of the Dissenting Aquila Shareholders to be paid the fair value of their Aquila Shares under Section 238 of the Cayman Companies Act in connection with the De-SPAC Transaction |
| “Aquila” | Aquila Acquisition Corporation, an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 25, 2021 whose Aquila Class A Shares and Aquila Listed Warrants are listed on the Stock Exchange |
| “Aquila Articles” | the amended and restated memorandum and articles of association of Aquila conditionally adopted on February 25, 2022 and which became effective on March 18, 2022, as in effect on the date of the Business Combination Agreement |

“Aquila Board”	the board of directors of Aquila
“Aquila Class A Shareholder(s)”	holder(s) of Aquila Class A Shares
“Aquila Class A Shares”	class A ordinary shares in the share capital of Aquila with a par value of HK\$0.0001 each, which will be canceled and exchanged for Successor Company Class A Shares pursuant to the Merger. As at the date of this announcement, there are 100,065,000 Aquila Class A Shares issued and outstanding.
“Aquila Class B Shareholder(s)”	holder(s) of Aquila Class B Shares, being CMBI AM Acquisition Holding LLC as at the date of this announcement, which is in turn directly or indirectly wholly-owned by the Promoters.
“Aquila Class B Shares”	class B ordinary shares in the share capital of Aquila with a par value HK\$0.0001 each, which will be canceled and exchanged for Successor Company Class A Shares pursuant to the Merger. As at the date of this announcement, there are 24,109,411 Aquila Class B Shares issued and outstanding.
“Aquila Contributed Funds”	without duplication, an amount equal to (i) the amount held in the Escrow Account at the Effective Time, <i>plus</i> (ii) the aggregate gross proceeds of the PIPE Investments from the PIPE Investors and (if applicable) any Permitted Equity Financing funded by investors introduced by Aquila (or its Affiliates), <i>minus</i> (iii) the aggregate Redemption Price paid or payable to the Redeeming Aquila Shareholders, and <i>minus</i> (iv) the aggregate amounts paid to the Dissenting Aquila Shareholders in respect of their Dissenting Aquila Shares
“Aquila Listed Warrants”	subscription warrants issued pursuant to the Aquila Listed Warrant Instrument and entitling the holder to purchase one Aquila Class A Share per subscription warrant at the warrant exercise price of HK\$11.50 exercisable on a cashless basis. As at the date of this announcement, there are 18,061,732 Aquila Listed Warrants issued and outstanding.
“Aquila Listed Warrant Instrument”	the instrument constituting the Aquila Listed Warrants by way of deed poll executed by Aquila on March 13, 2022
“Aquila Plan of Merger”	the agreed form plan of merger to be filed in accordance with the Business Combination Agreement and pursuant to Part XVI of the Cayman Companies Act with the Cayman Registrar
“Aquila Private Company Memorandum and Articles”	the amended and restated memorandum of association and articles of association of Aquila to be adopted by Aquila and become effective as at the Effective Time subject to approval of the Aquila Shareholders at the EGM by special resolution

“Aquila Promoter Warrants”	subscription warrants issued to the Promoters pursuant to the Aquila Promoter Warrant Agreement at the issue price of HK\$1.00 per subscription warrant and entitling the holder to purchase one Aquila Class A Share per subscription warrant at the warrant exercise price of HK\$11.50 exercisable on a cashless basis. As at the date of this announcement, there are 13,568,636 Aquila Promoter Warrants issued and outstanding.
“Aquila Promoter Warrant Agreement”	the agreement relating to the Aquila Promoter Warrants dated as of March 13, 2022 by and among Aquila, the Promoters and other persons named therein
“Aquila Shareholder(s)”	holder(s) of Aquila Shares
“Aquila Shares”	Aquila Class A Shares and Aquila Class B Shares
“Aquila Warrants”	Aquila Listed Warrants and Aquila Promoter Warrants (as applicable)
“Bonus Shares”	the additional five hundredths (0.05) of a newly issued Successor Company Class A Share which the Relevant Aquila Class A Shareholders are entitled to receive for each Aquila Class A Share held by them immediately prior to the Effective Time
“Bonus Share Issue”	the issue of the Bonus Shares to the Relevant Aquila Class A Shareholders
“Business Combination Agreement”	the business combination agreement entered into on August 31, 2023 among Aquila, the Target Company, and Merger Sub
“Business Day”	any day (other than (i) Saturday and Sunday and a public holiday in Hong Kong, Cayman Islands or the PRC or (ii) a day on which a tropical cyclone warning signal no. 8 or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong, Cayman Islands or the PRC are generally open to the public in Hong Kong or the PRC (as applicable) for normal banking business and on which the Stock Exchange is open for the business of dealing in securities
“B2B”	business to business, a type of commerce transaction in which businesses sell products or services to businesses rather than to individual consumers
“Cayman Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended or supplemented from time to time
“Cayman Court”	the Grand Court of the Cayman Islands
“Cayman Registrar”	the Registrar of Companies in the Cayman Islands

“CIC”	China Insights Industry Consultancy Limited, the industry consultant of the Target Company
“Circular”	the circular and listing document for the deemed new listing application by the Successor Company to be dispatched by Aquila to the Aquila Shareholders in connection with the EGM
“Closing”	the closing of the De-SPAC Transaction
“Conditions”	the conditions to Closing set out in <i>“E. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (f) Conditions to Closing”</i>
“Consolidated Affiliated Entities”	the subsidiaries of the Target Company controlled through the Contractual Arrangements, namely Zhaogang Netcom and its subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Beijing Gangfu Management Consulting Co., Ltd. (北京鋼富管理諮詢有限公司), Zhaogang Netcom and its registered shareholders, details of which are set out in <i>“B. Information about the Target Group – Contractual Arrangements of the Target Company”</i>
“Controlling Shareholders”	Mr. Wang Dong, Mr. Wang Changhui and Mr. Rao Huigang, the co-founders of the Target Company, and their respective investment holding entity as set out in <i>“B. Information About the Target Group – Information on the Controlling Shareholders of the Target Company”</i>
“De-SPAC Transaction”	the transactions contemplated by the Business Combination Agreement, including the Pre-Merger Capital Restructuring, the Merger and the PIPE Investments, resulting in the listing of the Successor Company on the Stock Exchange subject to obtaining all the necessary approvals
“Director(s)”	the director(s) of Aquila, the Target Company or the Successor Company, as the context requires
“Dissenting Aquila Shareholders”	Aquila Shareholders who have validly exercised their Appraisal Right in accordance with the statutory procedures prescribed under the Cayman Companies Act
“Dissenting Aquila Shares”	the Aquila Shares that are issued and outstanding immediately prior to the Effective Time and that are held by the Dissenting Aquila Shareholders who have validly exercised their Appraisal Right for such Aquila Shares in accordance with the Cayman Companies Act and otherwise complied with all of the provisions of the Cayman Companies Act relevant to the exercise and perfection of the Appraisal Right

“Effective Time”	9.00 a.m. (Hong Kong time) on the date of listing of the Successor Company Class A Shares and the Successor Company Listed Warrants on the Stock Exchange
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of Aquila to be convened for the Aquila Shareholders to consider and, if appropriate, approve the De-SPAC Transaction (including the terms of the Business Combination Agreement, the Bonus Share Issue, the PIPE Investments, the Permitted Equity Financing and the Promoter Earn-out Right), the withdrawal of listing of the Aquila Class A Shares, the Merger and the adoption of the Aquila Private Company Memorandum and Articles by Aquila
“Escrow Account”	the ring-fenced escrow account located in Hong Kong with CCB (Asia) Trustee Company Limited acting as trustee of such account pursuant to the Escrow Agreement
“Escrow Agreement”	the Deed of Trust dated March 13, 2022 between Aquila and CCB (Asia) Trustee Company Limited, in its capacity as trustee of the Escrow Account
“Existing Target Company Option”	each option or similar right to subscribe for ordinary shares in the Target Company pursuant to the Target Company ESOP
“GMV”	gross merchandise volume, the total value of merchandise sold in a given period, regardless of whether the goods are settled or returned; GMV of the Target Group includes (i) total value of steel products sold under transaction services, (ii) total value of steel products transacted under FatCat Easy Procurement, (iii) total value of steel products under overseas transaction services, and (iv) total value of non-steel products
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person (within the meaning ascribed thereto under the Listing Rules)
“Individual Promoters”	Mr. Jiang Rongfeng, Ms. Le Di and Ms. Wu Qian
“Joint Sponsors”	CMB International Capital Limited, HSBC Corporate Finance (Hong Kong) Limited and UBS Securities Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Longstop Date”	11:59 p.m., Hong Kong time, on June 30, 2024 (as may be extended by the mutual written consent of Aquila and the Target Company)
“Major Target Shareholders” or “WVR Beneficiaries”	Mr. Wang Dong, the founder and the chief executive officer of the Target, and Mr. Wang Changhui, the co-founder and the chief operating officer of the Target Company
“Merger”	the merger of Merger Sub with and into Aquila, subject to the terms and conditions of the Business Combination Agreement and in accordance with the laws of the Cayman Islands, with Aquila being the surviving entity following the Merger and becoming (immediately following the Merger) a direct wholly-owned subsidiary of the Target Company
“Merger Sub”	ZG Merger Sub Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability on July 17, 2023, and a wholly-owned subsidiary of the Target Company
“Permitted Equity Financing”	the subscription of Successor Company Class A Shares on the date of the Closing and concurrently with the Closing by one or more investors pursuant to one or more subscription agreements entered into during the Pre-Closing Period by and among such investors, the Target Company and Aquila pursuant to the Business Combination Agreement
“PIPE Investment Agreements”	the subscription agreements entered into on August 31, 2023 among Aquila, the Target Company and the PIPE Investors
“PIPE Investment Amount”	the subscription amount to be paid by the PIPE Investors to the Successor Company for the subscription of the PIPE Investment Shares
“PIPE Investment Shares”	the Successor Company Class A Shares to be subscribed by the PIPE Investors pursuant to the PIPE Investment Agreements
“PIPE Investments”	the subscription of the PIPE Investment Shares by the PIPE Investors pursuant to the PIPE Investment Agreements
“PIPE Investors”	the independent third party investors in the De-SPAC Transaction
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, except where the context requires, references in this circular to PRC or China exclude Hong Kong, Macau and Taiwan
“Professional Investor”	has the meaning given to it in section 1 of Part 1 of Schedule 1 to the SFO

“Promoters”	CMB International Asset Management Limited and the Individual Promoters
“QDIE”	with respect to the relevant PIPE Investor, a qualified investment enterprise which is established in Shenzhen, the PRC, by the QDIE Manager with the participation of domestic investors, as reviewed and approved by the QDIE Manager, to make overseas investment with foreign exchange or RMB, and through which such PIPE Investor may purchase the relevant PIPE Investment Shares
“QDIE Manager”	an enterprise incorporated in Shenzhen, the PRC, which is licensed to establish overseas investment enterprise and manage its overseas investment business subject to entrustment, pursuant to the pilot programs developed by the applicable governmental authorities in Shenzhen, the PRC since December of 2014
“QDII”	with respect to the relevant PIPE Investor, a qualified domestic institutional investor in the PRC, which is licensed by the China Securities Regulatory Commission to invest in foreign securities markets and through which such PIPE Investor may purchase the relevant PIPE Investment Shares
“QDLP”	with respect to the relevant PIPE Investor, a qualified private fund established by a QDLP fund manager licensed pursuant to the pilot programs developed by the applicable governmental authorities in the PRC and raising funds in the PRC from qualified domestic investors, to make investments in foreign securities markets and through which such PIPE Investor may purchase the relevant PIPE Investment Shares
“Qualified Investment Scheme”	with respect to the relevant PIPE Investor, the QDII, QDIE and/or QDLP (as the case may be) through which such PIPE Investor purchase the relevant PIPE Investment Shares
“Redeeming Aquila Shareholders”	Aquila Shareholders who have validly exercised their Redemption Right
“Redeeming Aquila Shares”	the Aquila Class A Shares in respect of which the relevant Aquila Shareholder has validly exercised its Redemption Right
“Redemption Price”	the per-share price at which Aquila will redeem the Redeeming Aquila Shares
“Redemption Right”	the redemption rights of Aquila Class A Shareholders in relation to the De-SPAC Transaction

“Relevant Aquila Class A Shareholders”	Aquila Class A Shareholders (excluding the holders of Aquila Class A Shares issued in connection with the Aquila Class B Conversion, the Redeeming Aquila Shareholders and, if applicable, the Dissenting Aquila Shareholders)
“Reserved Matters”	(i) any amendment to the memorandum or articles of association of the Successor Company, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive director of the Successor Company,(iii) the appointment or removal of the Successor Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Successor Company
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share Redemption”	the redemption of all or part of Aquila Class A Shareholders’ holdings of Aquila Class A Shares according to their election for the Redemption Price to be paid out of the monies held in the Escrow Account
“SME”	small to medium-sized enterprise
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Successor Company”	the Target Company upon the Closing which will be listed on the Stock Exchange
“Successor Company Articles”	the amended and restated memorandum and articles of association of the Successor Company (as amended from time to time) to be adopted by the Successor Company and which will become effective immediately prior to the Effective Time
“Successor Company Class A Shares”	the class A ordinary shares in the share capital of the Successor Company with a par value of US\$0.00005 each, conferring a holder of a Class A ordinary Share one vote per share on all matters subject to the vote at general meetings of the Successor Company

“Successor Company Class B Shares”	the class B ordinary shares in the share capital of the Successor Company with a par value of US\$0.00005 each, conferring weighted voting rights in the Successor Company such that a holder of a Class B ordinary Share is entitled to ten votes per share on all matters subject to the vote at general meetings of the Successor Company, save for a limited number of Reserved Matters in relation to which each Share is entitled to one vote as provided for under Chapter 8A of the Listing Rules and the Successor Company Articles
“Successor Company Listed Warrants”	subscription warrants issued by the Successor Company in consideration of the cancellation of the Aquila Listed Warrants as detailed under the section headed “ <i>E. The Business Combination Agreement</i> ” and pursuant to the Successor Company Listed Warrant Instrument
“Successor Company Promoter Warrants”	subscription warrants issued by the Successor Company in consideration of the cancellation of the Aquila Promoter Warrants as detailed under the section headed “ <i>E. The Business Combination Agreement</i> ” and pursuant to the Successor Company Promoter Warrant Agreement
“Successor Company Shares”	Successor Company Class A Shares and Successor Company Class B Shares (as applicable)
“Successor Company Warrants”	Successor Company Listed Warrants and Successor Company Promoter Warrants (as applicable)
“Successor Group”	the Successor Company, its subsidiaries and Consolidated Affiliated Entities as of Closing, including their respective predecessors
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Target Company”	ZG Group (formerly known as Zhaogang.com Inc), an exempted company incorporated under the laws of the Cayman Islands with limited liability on February 27, 2012
“Target Company Articles”	amended and restated memorandum and articles of association of the Target Company, as may be amended and/or restated from time to time after the date hereof and in effect immediately prior to the Share Reclassification
“Target Company ESOP”	Pre-Listing Share Option Scheme of the Target Company adopted on July 14, 2023
“Target Company Ordinary Shares”	the ordinary shares of the Target Company, with par value US\$0.00005 per share, and with the rights, preferences and privileges set out in the Target Company Articles

“Target Company Preferred Shares”	collectively, the series A-1 preferred shares, series A-2 preferred shares, series B-1 preferred shares, series B-2 preferred shares, series C preferred shares, series D preferred shares, series D-1 preferred shares, series E preferred shares and series F preferred shares in the share capital of the Target Company, each with a par value of US\$0.00005 and the respective rights, preferences and privileges set out in the Target Company Articles
“Target Company Shareholder”	a holder of any Target Company Shares
“Target Company Shares”	the Target Company Ordinary Shares and the Target Company Preferred Shares
“Target Group”	the Target Company and its direct and indirect subsidiaries which will form part of the Successor Group
“Unconditional Date”	the first Business Day in Hong Kong on or by which all Conditions have been fulfilled or if permissible, waived (other than those conditions that by their nature are to be satisfied at Closing), or such later date as may be agreed in writing by the Target Company and Aquila
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Warrantholders”	holders of Aquila Warrants
“Zhaogang Netcom”	Shanghai Steel Information Technology Co., Ltd. (上海找鋼網信息科技股份有限公司), a joint stock company established in the PRC with limited liability on August 4, 2016 (the predecessor of which is Shanghai Gangfu E-commerce Co., Ltd. (上海鋼富電子商務有限公司)), the financial results of which have been consolidated and accounted for as a subsidiary of Target Company by virtue of the Contractual Arrangements, and one of the Consolidated Affiliated Entities

R. WARNINGS

Aquila Class A Shareholders and Warranholders and potential investors in the securities of Aquila should note that the De-SPAC Transaction and all transactions thereunder are subject to, among other things, compliance with applicable legal and regulatory requirements, including the requirements for approval by shareholders of the companies concerned at general meeting(s) and approval of the Stock Exchange and/or other regulators. Accordingly, there is no certainty as to whether, and if so when, any such proposed transactions will proceed and/or will become effective. If the De-SPAC Transaction is not completed, Aquila will not redeem any Aquila Class A Shares and all Share Redemption requests will be canceled.

Aquila Class A Shareholders and Warranholders and potential investors in the securities of Aquila should exercise caution when dealing in the shares or other securities of Aquila. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s).

By order of the Aquila Board
AQUILA ACQUISITION CORPORATION
Rongfeng JIANG
Chairman of the Aquila Board

Hong Kong, August 31, 2023

As at the date of this announcement, the Aquila Board comprises Mr. Jiang Rongfeng as Chairman and Executive Director, Ms. Le Di as Executive Director, Ms. Wu Qian and Ms. Qi Xiaoxiao as Non-Executive Directors, and Mr. Zhong Lei, Dr. Gong Fangxiong and Mr. Ng Kim Lam as Independent Non-Executive Directors.

The Aquila Directors collectively and individually accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Target Group). The Aquila Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this announcement (other than that relating to the Target Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters (other than those relating to the Target Group) the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the Directors of the Target Company are Mr. Wang Dong, Mr. Wang Changhui, Ms. Gong Yingxin, Mr. Ye Qian and Ms. Zhou Min.

The Directors of the Target Company collectively and individually accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to Aquila). The Directors of the Target Company, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this announcement (other than that relating to Aquila) is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters (other than those relating to Aquila) the omission of which would make any statement in this announcement misleading.

APPENDIX

CONTRACTUAL ARRANGEMENTS OF THE TARGET COMPANY

BACKGROUND AND REASONS FOR THE CONTRACTUAL ARRANGEMENTS

As advised by the PRC legal advisor to the Target Company, certain businesses of the Consolidated Affiliated Entities are subject to foreign investment restrictions under current PRC laws and regulations. It is therefore not viable for the Target Company to hold the Consolidated Affiliated Entities directly through equity ownership. Accordingly, in line with common practice, the Target Company, through its indirect wholly-owned subsidiary, Beijing Gangfu Management Consulting Co., Ltd. (北京鋼富管理諮詢有限公司) (“**WFOE 1**”) entered into the Contractual Arrangements with the Consolidated Affiliated Entities and the registered shareholders of Zhaogang Netcom (the “**Registered Shareholders**”) which enabled it to gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign Ownership Restrictions

The principal business of Zhaogang Netcom and its subsidiaries, Shanghai Pangmao Logistics Co., Ltd. (上海胖貓物流有限公司) (“**Shanghai Pangmao Logistics**”) and Pangmao Logistics Technology (Tianjin) Co., Ltd. (胖貓物流科技(天津)有限公司) (“**Pangmao Logistics Technology**”), involves the provision of internet information services through mobile apps and websites, which fall within the scope of “value-added telecommunication service” under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”). According to the applicable PRC laws, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication business (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call center services).

In compliance with the PRC laws, each of Zhaogang Netcom, Shanghai Pangmao Logistics and Pangmao Logistics Technology holds a value-added telecommunications business operating license for the provision of Internet information services (the “**ICP License**”).

Qualification Requirements under the FITE Regulations

Foreign investment in a company providing value-added telecommunication services, including Internet information provision services is subject to the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were promulgated by the State Council on December 11, 2001, and subsequently amended on September 10, 2008, February 6, 2016 and March 29, 2022 by the Decision on Amending and Abolishing Some Administrative Regulations (《關於修改和廢止部分行政法規的決定》) issued by the State Council (“**Order No. 752**”), respectively. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including internet information services, except as otherwise provided in laws and regulations. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC were required to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Following the issue of Order No. 752, the Qualification Requirements previously set out in the FITE Regulations was removed with effect from May 1, 2022. Nevertheless, while foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest and not more) due to Order No. 752, whether or not a foreign-invested entity may hold an ICP License is still subject to the approval by relevant authority.

On April 11, 2023, the respective PRC legal advisor to the Target Company and to the Joint Sponsors conducted an interview with the Industry and Planning Research Institute of China Academy of Information and Communications Technology (the “**CAICT**”), during which the officer of the Industry and Planning Research Institute of the CAICT confirmed that (i) the Industry and Planning Research Institute of the CAICT is primarily responsible for research in the telecommunications industry, which involves the work relating to the Ministry of Industry and Information Technology of the PRC (the “**MIIT**”) and the Information and Communication Administration Bureau of the MIIT on the formulation of the catalog, business determination, review of the market access and provision of regulatory support during and after the process of value-added telecommunication business licenses. The Industry and Planning Research Institute of the CAICT may also participate in the review work during the issuance of the license, support the investigation and research of the relevant competent department of the MIIT upon the occurrence of any illegal or adverse records after the issuance of the license and provide the basis for the investigation and support; (ii) although the Qualification Requirements have been removed by Order No. 752, the application for obtaining ICP License through a foreign investment company is still subject to the administration and review requirements regarding corporate shareholders, source of finance capital and other factors; there are uncertainties as to whether a foreign-invested entity can obtain an ICP License; (iii) Zhaogang Netcom, considering its business operations and the aforementioned factors, is also faced with practical difficulties and uncertainties as to whether it can obtain the ICP License if it becomes a foreign investment company; and (iv) entering into the Contractual Arrangements is not subject to approval or regulation of the competent authority in charge of telecommunications business. The PRC legal advisor to the Target Company is of the view that the officer of the CAICT who attended the interview was a competent person to provide the aforementioned confirmation.

As advised by the PRC legal advisor to the Target Company, considering the above basis and the business operations of Zhaogang Netcom, as of the date of this announcement, (i) there are practical difficulties and uncertainties with respect to whether Zhaogang Netcom could satisfy the requirements to obtain an ICP License if it becomes a foreign investment company; and (ii) the removal of the Qualification Requirements by Order No. 752 would not invalidate the Target Group's ICP licenses or require it to adjust the Contractual Arrangements under applicable PRC laws.

In light of the above CAICT interview and opinion of the PRC legal advisor to the Target Company, the Target Company currently is practically unable to obtain ICP Licenses through any foreign investment company (even if such foreign investors hold less than 50% of equity interest in the enterprises).

Fully Integrated Businesses of the Target Company

The Target Company operates a digital platform for third-party steel transactions that can be accessed via its official websites and mobile apps. The Target Company's entire business model is centered around its digital platform, through which it offers the following services:

- (i) transaction services; and
- (ii) transaction support services, including logistics services, fintech solutions, and warehousing and processing services; and technology subscription services (collectively, the “**Supporting Services**”, and together with (i), the “**Relevant Businesses**”).

The transaction services, being the core business of the Target Company, requires an ICP License and is subject to foreign investment restrictions in the PRC (such as acting as the carrier engaged in domestic waterway, transportation agency and vessel agency services). Zhaogang Netcom possesses an ICP License needed to carry out the Target Company's transaction services through the digital platform. Therefore, as confirmed by the PRC legal advisor to the Target Company, the Consolidated Affiliated Entities (other than those with no material business activities) conduct value-added telecommunication services or services that are inseparable therefrom via the Target Company's digital platform, which are considered “restricted” where foreign investors are restricted from holding more than 50% equity interests in companies providing such services and shall meet certain qualification requirements.

The Supporting Services are fully integrated with the transaction services and cannot be separated from the digital platform. The Target Company is of the view that the Contractual Arrangements are narrowly tailored for the reasons below:

- (i) The Target Company's entire business model is centered around its digital platform. Since its inception, the Target Company's digital platform has provided the foundation for all of its businesses. The transaction services offered through the digital platform generate the online traffic and users for all of the other business services. As the Target Company accumulated a substantial steel buyer and seller base, the Target Company expanded its business by providing transaction services under the ICP License;

- (ii) The Supporting Services are fully integrated with the digital platform and rely on steel buyer and data accumulated from the digital platform. The Supporting Services are considered as supplementary to the sale of steel on the digital platform and having certain services provided by different companies across different platforms, rather than offering any of the services by simply ticking the appropriate boxes at checkout, which would also impair the convenience and efficiency of the digital platform for the steel buyers and undermine the one-stop experience that lies at the core feature of the digital platform;
- (iii) From a technological support perspective, there is only one unified technical support service. The integration of technical support extends to the entire steel transaction ecosystem, including but not limited to the transaction services and the Supporting Services. The Target Company's proprietary technology and cloud-based infrastructure supports each segment of the Target Company's business. Therefore, it is technologically impossible to separate the transaction services and the Supporting Services into two different entities without fundamentally changing the Target Company's digital platform; and
- (iv) From a documentation perspective, the agreements and "fa piao" documenting the provision of services from the transaction services and/or certain services provided to the steel buyers and sellers are premised on the one unified platform.

Minority Interests

Furthermore, in order to create more potential cooperation opportunities and obtain potential investment gain in the future, the Target Company makes minority investments in companies which it considers having increasing market value and expanding prospects of business diversity. These investments are passive, non-controlling interests that are classified as (i) financial assets at fair value through profit or loss or (ii) interests in associates and joint ventures, and are neither consolidated in financial statements of the Target Group nor form part of the Target Group. The Directors of the Target Company consider that the investments are not material to the Target Group. Given their immateriality and the fact that the Target Company does not consolidate or control these investee companies, the Directors of the Target Company consider that the Contractual Arrangements are narrowly tailored notwithstanding the minority investments.

By way of illustration that none of the investments held under the Contractual Arrangements are material to the Target Company, the long-term investments measured at fair value through profit or loss held under the Contractual Arrangements and presented as interests in associates and joint ventures held under the Contractual Arrangements account for 3.4%, 0.9%, 0.7% and 0.7% of the total assets of the Target Group as of December 31, 2020, 2021 and 2022, and March 31, 2023, respectively.

The fair value loss on investments measured at fair value through profit or loss under the Contractual Arrangements and share of losses of results of associates and joint ventures under the Contractual Arrangements account for 23.4%, 41.4%, 2.3% and 1.2% of the net losses of the Target Group for the years ended December 31, 2020, 2021 and 2022, and the three months ended March 31, 2023, respectively. These losses were mainly relating to the fair value loss on the investment in 51zhaoyou.com, one of the investees of the Target Company.

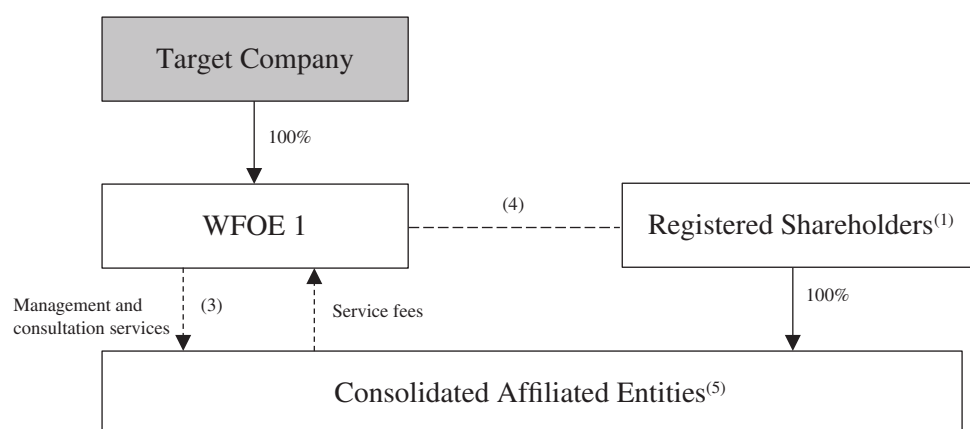
To the extent that the Target Company acquires control over an investee company in the future, and depending on the nature of the business conducted by the investee company and invested amount by the Target Company in the investee company, the Target Company may consider restructuring the ownership of the investee company to a direct or indirect subsidiary of the Target Company.

Therefore, the Target Company is of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable the Target Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Further details of the narrowly tailored structure of the Contractual Arrangements will be set out in the Circular.

The Successor Company will unwind and terminate the Contractual Arrangements to the extent permissible once its businesses are no longer prohibited or restricted from foreign investment under relevant PRC laws and regulations.

DETAILS OF THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits under the Contractual Arrangements:



Notes:

- (1) Registered Shareholders refer to the registered shareholders of Zhaogang Netcom, namely, Mr. Wang Dong, Mr. Wang Changhui, Mr. Rao Huigang, Shenzhen Cangjin Investment Partnership (Limited Partnership) (深圳市滄金投資合夥企業(有限合夥)), Shanghai Mstone Asset Management Office (上海麥斯通資產管理事務所), Shanghai Weiyi Investment Management Centre (Limited Partnership) (上海未易投資管理中心(有限合夥)), Hangzhou Sanren Yanxing Investment Partnership (Limited Partnership) (杭州三仁焱興投資合夥企業(有限合夥)), Shanghai Yunqi Wangchuang Venture Capital Investment Centre (Limited Partnership) (上海雲奇網創創業投資中心(有限合夥)), Hangzhou Yunjia Venture Capital Investment Partnership (Limited Partnership) (杭州雲嘉創業投資合夥企業(有限合夥)), Perilous Peak Growth Investment Partnership (Limited Partnership) (深圳險峰成長投資合夥企業(有限合夥)), Jiaxin Fenglin Yuyong Investment Partnership (Limited Partnership) (嘉興豐廩豫永投資合夥企業(有限合夥)), Beijing Shishang Xiliu Catering Management Co., Ltd. (北京石上溪流餐飲管理有限公司), Beijing Jianshi Hongyuan Investment Management Centre (Limited Partnership) (北京堅石宏遠投資管理中心(有限合夥)), Beijing Jianshi Tianhui Management Consulting Centre (Limited Partnership) (北京堅石天匯管理諮詢中心(有限合夥)), Zhuhai Fuhai Huachuang Information Technology Venture Capital Investment Fund (Limited Partnership) (珠海富海鏘創信息技術創業投資基金(有限合夥)), Xinyu Zhongfu Investment Management Centre (Limited Partnership) (新余眾富投資管理中心(有限合夥)), Shenzhen Huasheng Linghui Equity Investment Fund Partnership (Limited Partnership) (深圳華晟領輝股權投資合夥企業(有限合夥)), Shenzhen Cangxin Investment Partnership (Limited Partnership) (深圳市滄鑫投資合夥企業(有限合夥)) and Wuxi Baiaoji Equity Investment Partnership (Limited Partnership) (無錫佰奧基股權投資合夥企業(有限合夥)).
- (2) “——>” denotes direct legal and beneficial ownership in the equity interest.
- (3) “----->” denotes contractual relationship.
- (4) “----” denotes the control by WFOE 1 over the Registered Shareholders and Zhaogang Netcom through (1) powers of attorney to exercise all shareholders’ rights in Zhaogang Netcom, (2) exclusive options to acquire all or part of the equity interests in Zhaogang Netcom, and (3) equity pledges over the equity interests in Zhaogang Netcom.
- (5) The Consolidated Affiliated Entities are Zhaogang Netcom and its subsidiaries.

Among the Registered Shareholders, Mr. Wang Dong, Mr. Wang Changhui and Mr. Rao Huigang collectively hold 40.2% of the equity interests in Zhaogang Netcom. Save as disclosed above, none of the Registered Shareholders hold more than 30% of the equity interests in Zhaogang Netcom. None of the corporate Registered Shareholders are controlled by Mr. Wang Dong, Mr. Wang Changhui and Mr. Rao Huigang.

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by each of WFOE 1 and Zhaogang Netcom is set out below. Further details of the terms of the Contractual Arrangements will be set out in the Circular.

(a) Exclusive Business Cooperation Agreement

On May 18, 2018, Zhaogang Netcom and WFOE 1 entered into the exclusive business cooperation agreement, pursuant to which Zhaogang Netcom engaged WFOE 1 as its exclusive provider of technical support, consultation and other services, in exchange for a monthly service fee which shall be 100% of the total consolidated profit of Zhaogang Netcom before tax, after deductions pursuant to the terms of the agreement.

(b) Exclusive Option Agreement

On May 18, 2018, Zhaogang Netcom, WFOE 1 and the Registered Shareholders entered into an option agreement, which was subsequently amended and restated on August 31, 2021 and September 29, 2022, pursuant to which the Registered Shareholders granted WFOE 1 an irrevocable and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Zhaogang Netcom to WFOE 1 and/or a third party designated by it pursuant to the terms of the agreement. The Registered Shareholders shall, subject to the relevant laws and regulations, return to WFOE 1 or any person designated by WFOE 1, any consideration they receive in the event that WFOE 1 exercise the options to acquire the equity interests in Zhaogang Netcom.

(c) Equity Pledge Agreement

On May 18, 2018, Zhaogang Netcom, WFOE 1 and the Registered Shareholders entered into an equity pledge agreement, which was subsequently amended and restated on August 31, 2021 and September 29, 2022, pursuant to which the Registered Shareholders pledged all their equity interests in Zhaogang Netcom, including any interest or dividend paid for the shares, to WFOE 1 as a security interest to guarantee the performance of the Contractual Arrangements pursuant to the terms of the agreement.

(d) Powers of Attorney

On May 18, 2018, August 31, 2021 and September 29, 2022, the Registered Shareholders executed powers of attorney to irrevocably appoint WFOE 1 and its designated persons as their attorneys-in-fact to exercise certain rights of the Registered Shareholders on their behalf pursuant to the terms of the powers of attorney.

(e) Confirmations from the relevant individual Shareholders

Each of Mr. Wang Dong, Mr. Wang Changhui and Mr. Rao Huigang (the “**Relevant Individual Shareholders**”) has confirmed to the effect that (i) his spouse does not have the right to claim any interests in the equity interest of Zhaogang Netcom (together with any other interests therein) or exert influence on the day-to-day management by Zhaogang Netcom; (ii) in the event of his death, incapacity, divorce or any other event which causes his/her inability to exercise his rights as a shareholder of Zhaogang Netcom, he will take necessary actions to safeguard his/her interests in Zhaogang Netcom (together with any other interests therein) and his successors (including his/her spouse) will not take any actions to claim any interests in Zhaogang Netcom (together with any other interests therein) such that its interests in Zhaogang Netcom shall not be affected.

(f) Spouse undertakings

The spouse of each of the Relevant Individual Shareholders, where applicable, has signed an undertaking (the “**Spouse Undertakings**”) to the effect that (i) the respective Relevant Individual Shareholder is entitled to dispose the interests in Zhaogang Netcom (together with any other interests therein) and (ii) she will not have any claim on such interests.

The PRC legal advisor to the Target Company is of the view that (i) the above arrangements provide protection to WFOE 1 (as an indirect wholly-owned subsidiary of the Target Group) even in the event of death or divorce of any Relevant Individual Shareholders or bankruptcy of any corporate Registered Shareholders; and (ii) the death, bankruptcy or divorce (where applicable) of such shareholder would not affect the validity of the Contractual Arrangements, and pursuant to the Contractual Arrangements, relevant provisions thereunder (as applicable) are also binding on the successors or permitted transferees of the Registered Shareholders.

Based on the above, the board of directors of the Target Company is of the view that the Contractual Arrangements provide sufficient protection to the Target Group in the event of death, bankruptcy or divorce of the Registered Shareholders.

Common terms of the Contractual Arrangements

(a) Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

(b) Conflict of Interest

Each of the Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements.

(c) *Loss Sharing*

Under the relevant PRC laws and regulations, none of the Target Company and WFOE 1 is legally required to share the losses of, or provide financial support to, the Consolidated Affiliated Entities. Further, the Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. WFOE 1 intends to continuously provide to or assist the Consolidated Affiliated Entities in obtaining financial support when deemed necessary to the extent permitted by the laws. In addition, given that the Target Group conducts a substantial portion of its business operations in the PRC through the Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into the Target Group's financial statements under the applicable accounting principles, the Target Company's business, financial position and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses.

(d) *Liquidation*

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of the Consolidated Affiliated Entities shall give the proceeds they received from liquidation, after deduction of their actual contributions as a gift to WFOE 1 or its designee(s) to the extent permitted by the PRC laws.

(e) *Insurance*

The Target Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

As of the date of this announcement, the Target Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, the PRC legal advisor to the Target Company is of the opinion that:

- (i) the Contractual Arrangements minimize the potential conflict with relevant PRC laws and regulations;
- (ii) each of the WFOE 1 and Zhaogang Netcom is an independent legal entity which is duly established, and their respective establishment is valid, effective and complies with the relevant PRC laws;
- (iii) each of the agreements comprising the Contractual Arrangements is legal, valid and binding on the parties thereto and none of them would be deemed as void under the PRC Civil Code;
- (iv) none of the agreements under the Contractual Arrangements violates any provisions of the articles of association of Zhaogang Netcom, WFOE 1 or the Consolidated Affiliated Entities;

- (v) the Contractual Arrangements are not subject to any approvals or authorisations from the PRC governmental authorities, except for (a) the exercise of the option by WFOE 1 of its rights under the Exclusive Option Agreement; (b) the share pledge contemplated under the Equity Pledge Agreement; and (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement; and
- (vi) the Contractual Arrangements does not constitute a breach of the relevant laws and regulations except for certain provisions regarding dispute resolution, enforcement of interim remedies or enforcement order, and the liquidating committee.

Based on the above analysis and advice from the PRC legal advisor to the Target Company, the Directors of the Target Group are of the view that (i) the adoption of the Contractual Arrangements is not likely to be deemed ineffective or invalid under the applicable PRC laws and regulations; and (ii) each of the agreements under the Contractual Arrangements conferring significant control and economic benefits from Zhaogang Netcom to the Target Company is enforceable under the relevant laws and regulations.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

As a result of the Contractual Arrangements, the Target Company has obtained control of the Consolidated Affiliated Entities through WFOE 1 and, at the Target Company's sole discretion, can receive all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Target Company's financial statements.

In this regard, the Directors of the Target Group consider that the Target Company can consolidate the financial results of the Consolidated Affiliated Entities into the Target Group's financial information as if they were the Target Company's subsidiaries. The basis of consolidating the results of the Consolidated Affiliated Entities will be disclosed in the accountants' report of the Target Group to be set out in the Circular.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

The Target Company has adopted the following measures to ensure the effective operation of the Target Group with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the board of directors of the Target Company or the Successor Company, if necessary, for review and discussion on an occurrence basis;
- (ii) the board of directors of the Target Company or the Successor Company will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) the Successor Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

- (iv) the Target Company or the Successor Company will engage external legal advisors or other professional advisors, if necessary, to assist the board of directors of the Target Company or the Successor Company to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE 1 and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

There are certain risks relating to the Contractual Arrangements, many of which are beyond the Target Group's control, for example:

- (i) if the PRC government finds that the structure the Target Group has adopted for its business operations does not comply with PRC laws and regulations, or if these regulations or the interpretation of existing regulations change in the future, the Target Group could be subject to severe penalties, including the nullification of the Contractual Arrangements, or be forced to relinquish its interests in those operations;
- (ii) the Target Group relies on the Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders for its business operations, which may not be as effective as direct ownership in providing operational control;
- (iii) the shareholders, directors, and executive officers of the Consolidated Affiliated Entities may have potential conflicts of interest with the Target Group, which may materially and adversely affect the Target Group's business and financial condition;
- (iv) the Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that the Target Group or the Consolidated Affiliated Entities owe additional taxes, which could negatively affect the Target Group's financial condition; and
- (v) any failure by the Consolidated Affiliated Entities or the Registered Shareholders to perform their obligations under the Contractual Arrangements with them would have a material adverse effect on the Target Group's business.

Further details of the relevant risks relating to the Contractual Arrangements will be set out in the Circular.