THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Jintai Energy Holding Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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JINTAI ENERGY HOLDINGS LIMITED
金泰能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

(1) PROPOSED AMENDMENT TO THE CONVERTIBLE NOTES AND SPECIFIC MANDATE TO ISSUE NEW SHARES; (2) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

MERDEKA 鎵智

A notice convening the extraordinary general meeting (the "**EGM**") of Jintai Energy Holding Limited (the "**Company**") to be held at Units 1302–1303, 13/F, Ruttonjee House, 11 Duddell Street, Central, Hong Kong on Friday, 23 October 2020 at 4:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 4:00 p.m. on 21 October 2020) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. The Chinese translation of this circular is for reference only and in case of any inconsistency, the English version shall prevail.

8 October 2020

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In view of the ongoing development of coronavirus epidemic and recent requirements for prevention and control of its spread by the Hong Kong government, the Company strongly encourages Shareholders not to attend the EGM in person and the Company strongly recommends Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person. Shareholders are reminded that physical attendance at the EGM is not necessary for the purpose of exercising the voting rights. Shareholders who choose to appoint a proxy should take action as soon as possible to ensure the proxy instructions reach our share registrar not less than 48 hours before the time fixed for holding the EGM.

Taking into consideration the guidelines issued by the Hong Kong government and the Joint Statement dated 1 April 2020 made by the SFC and the Stock Exchange in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G), the Company will implement the following preventive measures at the EGM to protect attending Shareholders from the risk of infection:

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue;
- every Shareholder or proxy is required to put on surgical face masks during their attendance of the EGM; and
- no distribution of corporate gifts and no refreshment.

Shareholders are in any event asked (a) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment; (b) to follow any requirements or guidelines of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the EGM; and (c) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

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

"2017 Notes"	the HK$100,000,000 6% notes due 2019 issued by the Company in 2017
"Announcements (Convertible Notes)"	the announcements of the Company dated 29 May 2019, 11 June 2019, 2 July 2019, 5 July 2019, 17 July 2019 and 16 July 2020
"Beijing Century"	Beijing Century Energy Co., Ltd* (北京金寶世紀能源有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Bond"	RMB23,481,678.65 5% bond due 2023 issued by the Company
"Business Day"	a day on which licensed banks in Hong Kong are open for general business, other than: (i) a Saturday, a Sunday or a public holiday; or (ii) a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"Company"	Jintai Energy Holdings Limited 金泰能源控股有限公司 (Stock Code: 2728), a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
"Completion Date"	the date of completion of the Sale and Purchase Agreement, being the 3rd Business Day after satisfaction of the conditions precedent (or such other date as the parties may agree)
"Conversion Period"	the period from the day immediately following 17 July 2019 (the date of issue of the Convertible Notes) and up to 4 p.m. (Hong Kong time) on the Maturity Date
"Conversion Price"	the price at which the Convertible Notes can be converted into Conversion Shares
"Conversion Shares"	the Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Notes

"Convertible Notes"	the Convertible Notes in the aggregate principal amount of HK$110,952,907 issued by the Company to the Subscriber pursuant to the Subscription Agreement
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the ordinary resolutions in respect of (i) the Proposed Amendment, the Supplemental Deed and the grant of the Specific Mandate and (ii) the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond
"Equity Interest"	100% of the equity interest of the Target Company
"General Mandate (2019)"	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2019, pursuant to which a maximum of 618,903,481 new Shares may fall to be allotted and issued
"Governmental Authority"	any government (or political subdivision of it), whether on a state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including (without limitation) any agency, authority, board, bureau, commission, court, department or any other instrumentality
"Group"	the Company and its subsidiaries
"Guarantors"	collectively, Mr. Lin, Mr. Chen and Mr. Han
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company comprising Mr. Tche Heng Hou Kevin, Mr. Gao Han and Mr. Mak Tin Sang, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond

"Independent Financial Adviser"	Merdeka Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond
"Independent Shareholders"	the Shareholders other than (i) Mr. Chen and his associates; (ii) any other Shareholders who have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond
"Instrument"	instrument of the Convertible Notes which contains the terms and conditions of the Convertible Notes
"Latest Practicable Date"	5 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the due date of redemption of the Convertible Notes
"Mr. Chen"	Mr. Chen Jinle, the chairman of the Board and an executive Director, the sole owner of Oriental Gold, a substantial Shareholder
"Mr. Han"	Mr. Han Jinfeng, resident of the People's Republic of China who principally engages in the energy industry
"Mr. Lin"	Mr. Lin Caihuo, an executive Director and a substantial Shareholder
"New Subscriber"	QILU INTERNATIONAL FUNDS SPC (for the account and on behalf of ZHONGTAI DINGFENG CLASSIFIED FUND SP), an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability, which is ultimately controlled by the Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)
"Oriental Gold"	Oriental Gold Honour Joy International Holdings Limited, a company incorporated in the British Virgins Islands wholly-owned by Mr. Chen, and is a substantial Shareholder

"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Proposed Amendment"	has the meaning ascribed to it under the paragraph headed "Supplemental Deed" in the Letter from the Board of this circular
"Sale and Purchase Agreement"	the sale and purchase agreement dated 7 August 2020 entered into among the Vendor, Beijing Century and the Company
"SFC"	Securities and Futures Commission of Hong Kong
"Share(s)"	fully paid ordinary shares in the share capital of the Company with a nominal value of HK$0.00125 each, or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares
"Share Charges"	the charges over 928,284,839 Shares and 892,768,273 Shares executed by Mr. Lin and Oriental Gold, respectively, in favour of the Subscriber as security for the obligations under the Convertible Notes
"Shareholder"	the holder(s) of the Shares
"Specific Mandate"	the specific mandate for the issuance of the Conversion Shares under the amended terms of the Convertible Notes
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Win Win International Strategic Investment Funds SPC, (for the account and on behalf of Win Win Stable No. 1 Fund SP), an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability
"Subscription Agreement"	the subscription agreement dated 29 May 2019 entered into among the Company, the Subscriber and the Guarantors relating to the subscription of the Convertible Notes
"Supplemental Deed"	the supplemental deed of Instrument dated 16 July 2020 entered into among the Company and the New Subscriber in connection with the Proposed Amendment
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers and Share Buy-backs published by the SFC

"Target Company"	Lijin Shuntong Logistics Company Limited* (利津順通物流有限公司), a company incorporated in the PRC
"Transaction Documents"	the Subscription Agreement, the Supplemental Deed, the Instrument and the certificate issued to each noteholder in respect of its registered holding of the Convertible Notes
"Vendor"	Chen Qiusan* (陳秋叁), a PRC resident and the uncle of Mr. Chen Jinle

* *for identification purpose only*

JINTAI ENERGY HOLDINGS LIMITED

金泰能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

Executive Directors:
Mr. Chen Jinle *(Chairman)*
Mr. Lin Caihuo
Mr. Yuan Hongbing *(Chief Executive Officer)*

Non-Executive Director:
Mr. Wang Shoulei

Independent Non-Executive Directors:
Mr. Tche Heng Hou Kevin
Mr. Gao Han
Mr. Mak Tin Sang

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

Principal place of business in Hong Kong:
Suites 2601–2603, 26/F
Shui On Centre
6–8 Harbour Road
Wan Chai, Hong Kong

8 October 2020

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED AMENDMENT TO THE CONVERTIBLE NOTES AND SPECIFIC MANDATE TO ISSUE NEW SHARES; (2) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcements (Convertible Notes) in relation to the issue of the Convertible Notes and the Proposed Amendment of the terms of the Convertible Notes. The Company entered into the Subscription Agreement with the Subscriber and the Guarantors on 29 May 2019. The Company issued the Convertible Notes under the General Mandate (2019) to the Subscriber pursuant to the Subscription Agreement on 17 July 2019. The original Maturity Date was 17 July 2020. The original Conversion Price was HK$0.184 per Conversion

Share. The original interest payment dates were 29 November 2019 and 29 May 2020 and the Company has fully paid the interest accrued up to 29 May 2020. The Subscriber assigned all rights, title and interest in the Convertible Notes to the New Subscriber on 4 May 2020.

Reference is made to the announcement of the Company dated 7 August 2020 in relation to the Sale and Purchase Agreement and the Bond. The Company entered into the Sale and Purchase Agreement with the Vendor and Beijing Century on 7 August 2020.

The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Amendment; (ii) details of the Sale and Purchase Agreement; (iii) the Bond; (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) a notice of the EGM.

PROPOSED AMENDMENT TO THE CONVERTIBLE NOTES AND SPECIFIC MANDATE TO ISSUE NEW SHARES

As disclosed in the announcement of the Company dated 16 July 2020, the Company and the New Subscriber entered into the Supplemental Deed to amend the Maturity Date, the Conversion Period, the Conversion Price, the number of Conversion Shares and the interest payment dates.

Date: 16 July 2020

The Company and the New Subscriber agreed to:

(a) amend the Conversion Price to HK$0.134, representing a premium of approximately 3.88% to the closing price of HK$0.129 on the date of the Supplemental Deed and a premium of approximately 0.30% to the average closing price of HK$0.1336 per Share as quoted on the Stock Exchange for the last 5 trading days immediately before the date of the Supplemental Deed;

(b) amend the number of Conversion Shares from 603,004,929 Shares to 828,006,769 Shares in light of the amendment to the Conversion Price;

(c) extend the Maturity Date to 17 July 2021 (or, if that is not a Business Day, the first Business Day thereafter) and extend the end of the Conversion Period to 4:00 p.m. (Hong Kong time) on the Maturity Date;

(d) the forthcoming interest payment dates shall be 18 January 2021 and 17 July 2021 (or, if that is not a Business Day, the first Business Day thereafter)

(collectively, the "**Proposed Amendment**").

Save for the above, other terms of the Transaction Documents remain the same.

To the best of the Directors' knowledge and having made reasonable enquiries, the New Subscriber and its ultimate beneficial owner are parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules). In the event the Convertible Notes are transferred to a connected person of the Company, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Conditions Precedent

The Proposed Amendment is subject to the fulfillment of the following conditions precedent:

(a) the compliance of all requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC in relation to the Supplemental Deed and the transactions contemplated hereunder;

(b) the Board having passed all necessary resolutions in approving, among other things, the Supplemental Deed and the transactions contemplated hereunder;

(c) the Company having obtained all necessary approvals and consents from any government or regulatory authority or any other persons (including shareholders' approvals) and the completion of all filings with any government or regulatory authority required for the execution of the Supplemental Deed and/or the performance of its obligations hereunder by the Company;

(d) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the New Subscriber objects) listing of, and the permission to deal in, the Conversion Shares under the Instrument (as supplemented by the Supplemental Deed) upon exercise by the New Subscriber of the Conversion Rights; and

(e) the New Subscriber having obtained all the approvals in respect of the execution of this Supplemental Deed.

The above conditions precedent cannot be waived by any party. If the conditions precedent have not been fulfilled on or before 30 September 2020 or such other date as may be agreed in writing between the Company and the New Subscriber, the Supplemental Deed will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches hereof. In such circumstances, the New Subscriber may demand the Company to redeem the outstanding principal and the interest accrued under the Convertible Notes immediately. As at the Latest Practicable Date, the parties to the Supplemental Deed have agreed to extend the deadline for satisfaction of the conditions precedent to 31 October 2020. Since the original Maturity Date (i.e. 17 July 2020) has already passed and the original Conversion Period has already expired, if the conditions precedent are not fulfilled, the New Subscriber cannot exercise any conversion right. As at the Latest Practicable Date, conditions (b) and (e) have been satisfied.

Guarantee

The guarantee of each of the Guarantors under the Instrument remains fully effective and is not released or diminished by any provision of the Supplemental Deed.

Mr. Lin is an executive Director and a substantial Shareholder, holding 928,284,839 Shares, representing approximately 20.84% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Lin is a connected person of the Company.

Mr. Chen is the Chairman, an executive Director and a substantial Shareholder, holding 908,220,273 Shares, representing approximately 20.39% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Chen is a connected person of the Company.

Mr. Han is a cousin of Mr. Chen. He does not hold any Shares as at the Latest Practicable Date. Mr. Han is a connected person of the Company.

The provision of guarantee by Mr. Lin, Mr. Chen and Mr. Han constitute connected transactions under Chapter 14A of the Listing Rules. Nevertheless, since the guarantee are on normal commercial terms or better and it is not secured by the assets of the Group, it is fully exempt under Rule 14A.90 of the Listing Rules.

Security of the Convertible Notes

The Share Charges executed by each of Mr. Lin and Oriental Gold remain binding on them.

Specific Mandate

The Conversion Shares will be issued under the Specific Mandate.

The Specific Mandate will cease to be effective if any conditions precedent has not been satisfied on or prior to 30 September 2020 or any other date as may be agreed in writing between the Company and the New Subscriber but, in any event, no later than 12 months from the date of the EGM. As at the Latest Practicable Date, the parties to the Supplemental Deed have agreed to extend the deadline for satisfaction of the conditions precedent to 31 October 2020.

If the Specific Mandate lapses, the Company will comply with the applicable Listing Rules and seek approval from Shareholders or Independent Shareholders where required.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES (AS AMENDED BY THE SUPPLEMENTAL DEED)

Subject to the fulfilment of the conditions precedent of the Supplemental Deed, the principal terms of the Convertible Notes (as amended by the Supplemental Deed) will be as follows:

Principal Amount:	HK$110,952,907
Form and Denomination:	The Convertible Notes are issued in registered form and will be in denominations of HK$1,000,000 each (unless the amount remaining on exercise of the conversion rights or in consequence of any adjustment to the terms of the Instrument shall be less than HK$1,000,000).
Issue Price:	100% of the aggregate principal amount of the Convertible Notes.
Coupon:	Until the Convertible Notes are fully converted or redeemed and cancelled, the Convertible Notes shall bear interest at the rate of ten (10) per cent per annum, which shall be payable by the Company in arrears on a semi-annually basis. The interest period shall commence on the Issue Date and in every six months thereafter to and including the Maturity Date. The Company has paid all interest up to 29 May 2020. The forthcoming interest payment dates shall be 18 January 2021 and 17 July 2021 (or, if that is not a Business Day, the first Business Day thereafter).
Maturity Date:	17 July 2021 (or, if that is not a Business Day, the first Business Day thereafter)
Transferability:	The Convertible Notes shall be transferable by a noteholder to any person, in whole or in part, without obtaining prior written consent from the Company save for a connected person of the Company unless with the consent of the Stock Exchange. The Convertible Notes may be transferred in whole multiples of HK$1,000,000 (or such lesser amount as may represent the entire principal amount).
Voting:	The noteholder will not be entitled to attend or vote at any general meetings of the Company by reason only of being the holder of the Convertible Notes.

Ranking of the Convertible Notes and the Convertible Shares:	The Convertible Notes shall, upon their issuance, constitute a direct, unconditional, secured and unsubordinated obligation of the Company and rank *pari passu* and without preference among themselves. The Conversion Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.
Redemption:	*By Maturity* On the Maturity Date, the Company shall redeem any principal amount of the Convertible Notes which remains outstanding and not previously redeemed or converted into Conversion Shares by paying to each noteholder at 100% of the outstanding principal amount of the Convertible Notes held by such noteholder, plus accrued interest. *By Purchase* The Company or any of its subsidiaries may at any time and from time to time purchase the Convertible Notes at any price as agreed between the Company or such of its subsidiaries and the relevant noteholder. Any purchase by tender shall be made available to all noteholders alike. *Early Redemption by Company* The Company shall be entitled at its sole discretion, by giving not less than 5 days' notice (the "**Early Redemption Notice**") to the noteholders, to redeem all or part of the outstanding Convertible Notes at the principal amount of the outstanding Convertible Notes at any time after the Issue Date together with interest accrued to the date fixed for redemption as set out in the Early Redemption Notice. The Early Redemption Notice, once delivered shall be irrevocable unless the noteholder consents to its withdrawal.

Occurrence of Event of Default

If any of the events of default occurs, the noteholder may give notice to the Company that the Convertible Notes are, and it shall on the giving of such notice immediately become, due and payable at its principal amount together with all accrued interest calculated up to and including the date of repayment and all other sums payable under the Convertible Notes. Upon the redemption of the full outstanding principal amount of the Convertible Notes, the right of the noteholders to convert the Convertible Notes shall be extinguished and released.

Conversion Rights: The conversion rights attached to the Convertible Notes shall only be exercisable so long as, among others, (i) it will not result in the Company's non-compliance with the minimum public shareholding requirement under the Listing Rules and/or other provisions of the Listing Rules; (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the noteholder and any parties acting in concert with it (as defined under the Takeovers Code) and (iii) the Board shall have sufficient general mandate for issuing new Conversion Shares upon conversion of the Convertible Notes.

The Conversion Period shall end at 4:00 p.m. on the Maturity Date.

Conversion Price: HK$0.134 per Conversion Share, subject to adjustment.

Adjustment mechanism of the Conversion Price:

(i) ***Consolidation or sub-division of Shares:*** If and whenever the Shares by reason of any consolidation, sub-division, re-denomination or re-classification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each of such adjustment shall be effective from the close of business in Hong Kong on the day the alteration takes effect.

(ii) ***Capitalisation of profits:*** If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the issued Shares immediately before such issue; and

D = the aggregate nominal amount of the Shares issued in such capitalisation.

Each of such adjustment shall be effective on the date of issue of such Shares or (if the record date is fixed therefore) immediately after the record date for such issue.

(iii) ***Capital Distribution:*** If and whenever the Company shall make any capital distribution (except where, and to the extent that, the Conversion Price falls to be adjusted under adjustment event (ii) above) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the market price of one Share on the date on which the capital distribution or, as the case may be, the grant is publicly announced; and

F = the fair market value on the day of such announcement, as determined in good faith by the bank appointed by the Company or the auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share;

Provided that:

(a) if in the opinion of the bank to be appointed by the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if F meant, the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and

(b) this adjustment event shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each of such adjustment shall be effective (if appropriate retroactively) from the date the distribution is actually made or if a record date is fixed therefore, immediately after the record date for the capital distribution or grant.

(iv) ***Rights issue, options and warrants:*** If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights issue, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the date of issue of such Shares or issue or grant of such option, warrants or other rights or where a record date is fixed, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the noteholder (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Conversion Rights under the Convertible Notes in full on the day immediately preceding the record date for such offer or grant.

(v) ***Convertibles:***

(a) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day (whichever is the earlier) of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in event (a) above are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the maximum number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights issue or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this adjustment event, the "**total Effective Consideration**" receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(vi) ***Shares issued at more than 10% discount to market price:*** If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by a fraction of which the numerator is the number of Shares in issue immediately before such issue plus the number of Shares which the aggregate amount receivable for the issue would purchase at such market price per Share and the denominator is the number of Shares in issue immediately before such issue plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(vii) ***Shares where total Effective Consideration per Share is issued more than 10% discount on market price:*** If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator shall be the total Effective Consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the date of issue of such Shares. For the purpose of this adjustment event, "**total Effective Consideration**" shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**total Effective Consideration per Share**" shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

The Company will publish an announcement in the event that there is an adjustment to the Conversion Price.

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

Save as disclosed below, the Company has not carried out any other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

Date of announcements	Event	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
29 May 2019, 2 July 2019, 5 July 2019 and 17 July 2019	Issue of the Convertible Notes	HK$110,952,907	Redemption of the 2017 Notes and settlement of outstanding indebtedness owed by the Company to the Subscriber.	All of the net proceeds were used as intended.
7 August 2019, 12 August 2019 and 22 August 2019	Issue of new Shares under the general mandate	HK$67,300,000	General working capital of the Company and its subsidiaries, acquisition of business (if any) if opportunities arise and repayment of some of the indebtedness of the Group.	Approximately 18% and 82% of the net proceeds have already been used for repayment of debts and interest expenses and general working capital in energy trading business respectively.
23 September 2019 and 2 December 2019	Issue of new Shares under the general mandate	HK$9,316,000	General working capital of the Company and its subsidiaries.	All of the net proceeds have already been used for general working capital in energy trading business.
24 June 2020, 2 July 2020 and 3 August 2020	Issue of new Shares under the general mandate	HK$94,840,400	General working capital of the Company and its subsidiaries.	All of the net proceeds have been used to settle trade payables.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of the Shares, based on the Conversion Price and assuming full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be convertible into 828,006,769 Conversion Shares, representing approximately 18.58% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.67% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Assuming no new Shares are issued before completion except the events stated below, the share capital and shareholding structure of the Company as at (i) the Latest Practicable Date and (ii) upon full conversion of the Convertible Notes into Conversion Shares (assuming there is no other change in the shareholding structure) are as follows. The percentages may not add up to 100% due to rounding:

	Shareholding as at the Latest Practicable Date		**Shareholding upon full conversion of the Convertible Notes**	
	Number of shares held	*Approximate % of Shares in issue*	*Number of shares held*	*Approximate % of Shares in issue*
Mr. Lin Caihuo	928,284,839	20.84%	928,284,839	17.57%
Oriental Gold Honour Joy International Holdings Limited	892,768,273	20.04%	892,768,273	16.90%
Mr. Chen Jinle	15,452,000	0.35%	15,452,000	0.29%
Mr. Yuan Hongbing	1,592,000	0.04%	1,592,000	0.03%
Hong Kong Moral Co-Operation Investment Limited	742,503,480	16.67%	742,503,480	14.05%
Super Wise International Investment Limited	540,000,000	12.12%	540,000,000	10.22%
New Subscriber	0	0	828,006,769	15.67%
Other public Shareholders	1,334,420,296	29.95%	1,334,420,296	25.26%
Total	4,455,020,888	100%	5,283,027,657	100%

REASONS FOR THE PROPOSED AMENDMENT

The economy this year has been highly challenging due to the outbreak of COVID-19 and trade dispute between the PRC and the United States. The Company needs more time to arrange funding to redeem the Convertible Notes. The terms of the Supplemental Deed were determined after arm's length negotiation between the Company and the New Subscriber with reference to, inter alia:

a. the market price of the Shares: the price of the Shares was, in overall, on a downward trend. The closing price of the Shares was HK$0.184 as at the date of the Subscription Agreement (i.e. 29 May 2019) and the closing price of the Shares was HK$0.129 as at the date of the Supplemental Deed (i.e. 16 July 2020). The closing price of the Shares subsequent to the date of the Subscription Agreement (i.e. 29 May 2019) was on a downward trend in general, save for occasional rebounce. Other than minor fluctuations, there was no sign that the trading price of the Shares will rise significantly in the near future. The Conversion Price of HK$0.134 was at a slight premium above the minimum price allowed under Rules 13.36(6) of the Listing Rules;

b. the performance of the Company: the Company's performance recorded a deterioration during the year ended 31 December 2018 and the first three quarters of 2019 and a gradual recovery in the last quarter of 2019, further details of which are set out in the annual report of the Company for the year ended 31 December 2019. Further, given that the business of the Group requires large amount of cash, the Group does not have idle cash;

c. the prevailing market conditions: the global market and economic conditions were seriously affected by the outbreak COVID-19 and US-PRC trade disputes and remain challenging. The market sentiment also remains weak and it is anticipated that it is unlikely that there will be apparent economic recovery in 2021.

Further, given the Company is requesting the holder of the Convertible Notes to grant an indulgence for an extension of the Maturity Date, the Company was inevitably in a more passive position with less bargaining power. Given such situation, it cannot be denied that the New Subscriber has taken the opportunity to get their own best interest and request for the lowest possible Conversion Price. Further, given the prevailing market conditions, it is difficult for the Company to argue that the market and economic conditions and the performance of the Group will improve significantly in the near future, which would in turn lead to the increase of the trading prices of the Shares.

The Directors consider the Supplemental Deed to be fair and reasonable and is in the interest of the Company and its shareholders as a whole.

The Group's cash and cash equivalent as at 30 June and 31 July 2020 was approximately HK$58 million (unaudited) and HK$18 million (unaudited) respectively. Given that the business of the Group requires large amount of cash, the Directors believe that the Group does not have idle cash to redeem the Convertible Notes. Given that (i) the Company recorded net liabilities as at 31 December 2019; (ii) it is difficult for the Company to obtain bank borrowings on commercially justifiable terms or at all under the current market and economic environment; and (iii) debt financing usually requires the Group to comply with a series of restrictive covenants or specific performance requirements, which may limit the Group's flexibility and capability to use cash for further business development and to timely capture business opportunities that may arise from time to time, the Directors decided not to redeem the Convertible Notes through debt financing.

The Company is now exploring various possible ways to redeem the Convertible Notes, including but not limited to issue of new securities.

LISTING RULES IMPLICATIONS

Under Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Proposed Amendment pursuant to the requirements under the Listing Rules.

DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

THE SALE AND PURCHASE AGREEMENT

On 7 August 2020 (after trading hour), the Company, Beijing Century and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and Beijing Century has agreed to acquire, the Equity Interest, and the Company has agreed to issue the Bond to the Vendor. The principal terms are set out below:

Date:	7 August 2020
Parties:	1. The Vendor as vendor;
	2. Beijing Century as purchaser; and
	3. the Company as bond issuer
Consideration:	RMB23,481,678.65 to be settled by way of issue of the Bond
Subject matter:	100% of the equity interest in the Target Company
	There is no restriction on the subsequent sale of the Equity Interest.

Conditions precedent: Completion shall be subject to the fulfilment of the following conditions precedent:

(a) Beijing Century and the Company having complied with all requirements under the applicable laws and the Listing Rules;

(b) the Independent Shareholders having passed, inter alia, ordinary resolutions at the EGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond;

(c) Beijing Century having completed due diligence on legal, financial, technical aspects and business of the Target Company and is satisfied with the results;

(d) Beijing Century and the Company having obtained all necessary approvals for entering into the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond;

(e) the representations and warranties given by the Vendor in the Sale and Purchase Agreement remaining true, accurate and not misleading; and

(f) the Target Company does not encounter any material adverse change on or before the Completion Date.

As at the Latest Practicable Date, condition (c) has been fulfilled. The conditions precedent as set out in paragraphs (c), (e) and (f) can be waived. It may not be feasible for the Group to state with certainty at this stage as to whether the Group intends to waive any of the aforesaid conditions precedent or not. Whether any of the aforesaid conditions precedent will be waived by the Group depend on, inter alia, the nature and significance of the due diligence issues/the warranties/the adverse change involved (as the case may be). Nevertheless, the Group wishes the acquisition to proceed as far as is practicable and is not prepared to withdraw from the deal unless the issues involved are fundamental.

If any of the above conditions precedent is not satisfied or waived by 5 November 2020, the Sale and Purchase Agreement shall be terminated.

Termination: Beijing Century may terminate the Sale and Purchase Agreement if the Vendor is in breach of any representation and warranty or violate any material terms therein.

Completion: Completion shall take place on the 3rd Business Day after satisfaction of the conditions precedent (or such other date as the parties may agree).

Terms of the Bond

Issue Date:	The 3rd Business Day after satisfaction of the conditions precedent (or such other date as the parties may agree)
Principal amount:	RMB23,481,678.65
Interest rate:	5% per annum
Interest payment date:	Maturity date
Maturity date:	The date falling on the third anniversary of the date of issue of the Bond
Transferability of the Bond:	The Bond shall be transferrable.
Early redemption of the Bond:	The Company may early redeem the Bond at any time before the maturity date.
Security of the Bond:	The Bond is unsecured.
Rights and obligations for failure of repayment:	In the event the Company fails to satisfy obligations of payment of principal and interests, the holder of the Bond may enforce the securities and guarantees on the Convertible Notes or otherwise take legal action against the Company for repayment of the outstanding principal and interests.

Basis of consideration

The consideration represents the net asset value of the Target Company as at 30 June 2020. The terms of the Bond were determined after arm's length negotiation among the parties with reference to the net asset value of the Target Company, the current market situation, the prospects of the business of the Target Company and the financial performance of the Target Company from 2018 to 30 June 2020. The information regarding the original acquisition cost was not yet available to the Company when the Sale and Purchase Agreement was entered into. Subsequent to the entering into of the Sale and Purchase Agreement, the Company was informed by the Vendor that the original acquisition cost was the same as the consideration payable by Beijing Century. To the best of the Directors' knowledge, information and belief, Mr. Chen Guangsan, the father of Mr. Chen Jinle, acquired the Target Company in 2015. He used the Target Company to transport hazardous products. The Vendor offered to acquire the Target Company. Such acquisition was completed in June 2020. Based on the information provided by the Vendor, subsequent to the completion of the acquisition by the Vendor, due to a change of his original business plan regarding the use of the Target Company, he explored the possibility to dispose of it at the original acquisition cost. Given that both the Vendor and the Group are in the energy industry, the Vendor and the Group have discussed about the possibility of acquisition of the Target Company by the Company, which eventually materialised. In light of the reason for disposal given by the Vendor, the Directors believe that the Vendor's acquisition of the Target Company is not directly associated with his subsequent sale of the Target Company to Beijing Century.

The Directors did not conduct valuation on the Target Company because they believed that the business and the assets portfolio of the Target Company were simple. Further, the relatively small value of the consideration of this transaction would not justify the cost of valuation. Further, the Directors do not intend to make the Target Company the sole profit centre of the Group and therefore, the profitability of the Target Company was not the only factor considered by the Directors in the acquisition of the same and other non-monetary benefits which may be brought to the Group are equally important.

INFORMATION OF THE GROUP, BEIJING CENTURY AND THE VENDOR

As at the Latest Practicable Date, the Group is principally engaged in energy trading, including mainly trading of fuel oil and kerosene and speaker manufacturing and trading business. Beijing Century is a wholly-owned subsidiary of the Company and an investment holding company.

The Vendor is a PRC resident and a businessman.

INFORMATION OF THE TARGET COMPANY

The Target Company was incorporated in the PRC on 23 March 2006 and the business commenced on the same date. It is principally engaged in the transportation of hazardous products. It is also authorised to engage in logistics consultancy, logistics agency, chemical products, vehicle part sales, vehicle leasing but does not operate such business. It obtained the qualification to deliver hazardous products in 2006.

Below is the financial information of the Target Company for each of the two years ended 31 December 2018 and 2019 as set out in the unaudited accounts of the Target Company compiled in accordance with the generally accepted accounting principles of the PRC.

	For the year ended/as at 31 December		For the six months ended/as at
	2018	2019	30 June 2020
Revenue	RMB72,889,993.35	RMB69,129,448.93	RMB8,500,319.69
Cost of sale	RMB68,892,318.28	RMB63,980,317.11	RMB13,125,739.60
Gross profit (loss)	RMB3,997,675.07	RMB5,149,131.82	RMB(4,625,419.91)
Net profit (loss) before taxation	RMB34,496	RMB58,976	RMB(6,746,304.99)
Net profit (loss) after taxation	RMB27,841	RMB44,232	RMB(6,746,304.99)
Net assets value	RMB30,197,641.29	RMB30,241,872.93	RMB23,481,678.65

As at 30 June 2020, the unaudited total assets value and unaudited net assets value of the Target Company were approximately RMB85,155,424 and RMB23,481,678.65 respectively.

The Group has no current business arrangement/transaction with the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, the Target Company had approximately 90 vehicles and approximately 50 professional drivers who are qualified to deliver hazardous products. The Target Company collects products from Dongying City, Shandong Province and delivers the same to customers across the PRC.

Business model

The business model of the Target Company for transportation of hazardous products involves: first, the Target Company enters into a contract with a customer. The Target Company then arranges vehicle and transport staff. Lastly, the Target Company delivers the product and then charge the customer delivery fee.

Major customers and suppliers

Below is the information about the major customers of the Target Company for the year ended 31 December 2019 based on the information provided by the Vendor.

Company	**Principal business**	**Approximate duration of business relationship with the Target Company**	**Revenue contribution to the Target Company** *(RMB)*	**% of total revenue of the Target Company**
A	Transportation	2 years	47,340,000	68%
B	Transportation	1.5 years	7,610,000	11%
C	Transportation	0.5 year	4,800,000	7%
D	Transportation	1 year	2,420,000	4%
E	Transportation	0.5 year	920,000	1%

Below is the information about the major customers of the Target Company for the six months ended 30 June 2020 based on the information provided by the Vendor.

Company	Principal business	Approximate duration of business relationship with the Target Company	Revenue contribution to the Target Company *(RMB)*	% of total revenue of the Target Company
F	Transportation	0.5 year	3,810,000	45%
A	Transportation	2 years	1,760,000	21%
G	Transportation	0.5 year	1,080,000	13%
H	Transportation	0.5 year	780,000	9%
I	Transportation	0.5 year	360,000	4%

Below is the information about the major suppliers of the Target Company for the year ended 31 December 2019 based on the information provided by the Vendor.

Company	Product/service provided to the Target Company	Approximate duration of business relationship with the Target Company	Cost of sale incurred by the Target Company *(RMB)*	% of total cost of sale of the Target Company
J	Fuel	5 years	8,540,000	13.3%
K	Car rental	1 year	3,820,000	6%
L	Car rental	1 year	3,420,000	5.3%
M	Car rental	1 year	2,110,000	3.3%
N	Fuel	0.5 year	1,070,000	1.7%

Below is the information about the major suppliers of the Target Company for the six months ended 30 June 2020 based on the information provided by the Vendor.

Company	Product/service provided to the Target Company	Approximate duration of business relationship with the Target Company	Cost of sale incurred by the Target Company *(RMB)*	% of total cost of sale of the Target Company
O	Fuel	2 years	380,000	2.9%
P	Materials for car repairment	3 years	271,000	2.1%
Q	Materials for car repairment	1 year	42,000	0.3%
R	Materials for car repairment	3 years	29,000	0.2%
S	Materials for car repairment	2 years	26,000	0.2%

Based on the information provided by the Vendor:

(i) the Target Company enters into agreements with customers with effective period ranging from 3 months to 1 year. The Target Company does not enter into short-term or long-term agreement with its suppliers. The major suppliers took up a small percentage of the cost of sale of the Target Company because the majority of the cost of sale was related to depreciation of wheels and maintenance conducted by the Target Company itself; and

(ii) the Target Company solicited new customers from time to time through its sales staff. Some customers also took their own the initiative to approach the Target Company.

Financial performance of the Target Company

Based on the information provided by the Vendor, the profit margin of the Target Company was low in 2018 and 2019 because the maintenance cost, fuel cost and toll fee were high. The profit margin of transportation of hazardous products is generally low.

Although the revenue of the Target Company decreased during the year ended 31 December 2019 as compared to the year ended 31 December 2018, the gross profit and net profit (both before and after taxation) increased during the year ended 31 December 2019 because the percentage decrease in cost of sale was greater than the percentage decrease in revenue.

Based on the information provided by the Vendor, the financial performance of the Target Company decreased significantly during the six months ended 30 June 2020 because (i) most of its customers suspended operation due to the outbreak of the COVID-19 pandemic; (ii) sale volume of crude oil decreased along with the decrease in its trading price at the beginning of 2020; (iii) trading was hindered by the travel restrictions and the suspension of transportation network imposed due to the COVID-19 pandemic. While the revenue of the Target Company decreased during the six months ended 30 June 2020, certain fixed costs were not reduced, such as insurance and maintenance cost. Therefore, the Target Company recorded net loss before and after taxation for the six months ended 30 June 2020.

The net assets value of the Target Company decreased from RMB30,241,872.93 (unaudited) as at 31 December 2019 to RMB23,481,678.65 (unaudited) as at 30 June 2020 because of the increase in short-term borrowings from RMB24,400,000 (unaudited) as at 31 December 2019 to RMB31,900,000 (unaudited) as at 30 June 2020 and the decrease in accounts receivables from RMB13,946,951.38 (unaudited) as at 31 December 2019 to RMB7,519,637.09 (unaudited) as at 30 June 2020. The lenders of the short-term borrowings in the six months ended 30 June 2020 were third parties independent of the Group and its connected persons.

Below are the major assets and liabilities of the Target Company as at 30 June 2020.

	As at 30 June 2020 (unaudited) *(RMB)*
Current assets	
Cash	979,815.98
Accounts receivables	7,519,637.09
Prepayments	17,512,422.61
Other receivables	25,372,966.35
Inventories	2,108,864.02
	53,493,706.05
Non-current assets	
Long-term share investment	24,500,000
Original cost of fixed asset	42,795,595.71
Less: accumulated depreciation	(35,633,877.65)
Net book value of fixed asset	7,161,718.06
	31,661,718.06
Current liabilities	
Short-term loan	31,900,000
Accounts payables	2,044,256.79
Staff cost payable	1,159,227.58
Tax payable	2,146.78
Other payables	26,568,114.31
	61,673,745.46
Non-current liabilities	—
Net assets value	23,481,678.65

REASONS FOR ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Directors believe that the acquisition of the Target Company can complement the Company's energy trading business. Logistics arrangement is an important part of energy trading. As at the Latest Practicable Date, the Group engaged external logistics companies to deliver its products. The Group plans to use the logistical resources of the Target Company to deliver its products for the Group. The benefits of owning a logistics services company are that it can enhance the safety of transportation and resources allocation, control delivery time, control cost, reduce reliance on external logistics companies, cater for urgent deliveries and create synergy effect. The Directors plans to create a logistics system after acquiring the Target Company, whereby the Group can monitor the route of the Group's delivery vehicles with global positioning system, and can receive information on different provincial governments' requirements of transportation of hazardous products by connecting to their transportation systems. The Group can use such system to instruct its drivers to take a specific route at a specific time which comply with provincial requirements regarding transportation of hazardous products. The Group will purchase relevant equipment and recruit staff or engage subcontractors to develop such system. The Directors believe that by acquiring the Target Company and developing the logistics system mentioned above, the Group can enhance its delivery process.

Both the Group and the Target Company are in the energy industry. Mr. Chen has more than 10 years of experience in the management of transportation of hazardous products. He is a supervisor of the Target Company. Further, the Group intends to retain the existing management of the Target Company to operate its business such that the Group will have time to familiarize with the business of the Target Company.

The Directors are of the view that the terms of the Sale and Purchase Agreement and the Bond are fair and reasonable and in the interests of the Shareholders and the Company as a whole. According to the interim report of the Group for the 6 months ended 30 June 2020, it had cash and cash equivalents of HK$58,571,000 (unaudited) as at 30 June 2020 and the amount of the consideration (RMB23,481,678.65) represents a significant portion of the same. By issuing the Bond to the Vendor, the Company can acquire the Target Company without causing an imminent burden on its cash flow. The Company will have 3 years to redeem the Bond and will enable the Company to have more flexibility in managing its cash flow. The Directors do not propose to raise fund to settle the consideration because the Company has already fully utilised its general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 29 May 2020. The Directors do not wish to further dilute the existing shareholdings. Before the acquisition, the Company has enquired certain commercial banks to explore as to whether they would grant a loan facility. Unfortunately, they refused to grant the same to the Company for the acquisition.

The profitability of the Target Company decreased inevitably in the 6 months ended 30 June 2020 due to the outbreak of the COVID-19 pandemic, the lockdown that ensued, and the decrease in crude oil price since the beginning of 2020. The Directors believe that its profitability would rebounce once the pandemic is alleviated. The unaudited net profit after taxation of the Target Company increased from the year ended 31 December 2018 to the year ended 31 December 2019. Crude oil price has already rebounced since late April 2020 as reflected in West Texas Intermediate. The transactions of energy products in some parts of the PRC where the pandemic has been alleviated has increased since around July 2020 as crude oil price has rebounced. The monthly revenue of the Target Company has increased from approximately RMB1.4 million (unaudited) in June 2020 to approximately RMB2.2 million (unaudited) in September 2020. In any event, the Directors do not intend to make the Target Company the sole profit centre of the Group. Rather, the Target Company will be used to complement the Group's existing business.

The People's Bank of China announced on 20 July 2020 that the annual loan prime rate for 1-year loan was 3.85%, and the loan prime rate for a loan with a term exceeding 5 years was 4.65%. Considering that (i) the interest of the Bond is payable upon maturity in one lump sum; (ii) the Bond is unsecured; (iii) the Company had liabilities of HK$2,504,180,000 (unaudited) as at 30 June 2020, the Directors considered that the interest rate of the Bond (5% per annum) has reasonably reflected the risk of default of the Company and therefore was on normal commercial terms.

LISTING RULES IMPLICATIONS

The Vendor is the uncle and an associate of Mr. Chen, an executive Director, a substantial shareholder and the chairman of the Company. Therefore the Vendor is a connected person of the Company and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Chen has abstained from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the Bond because of his relationship with the Vendor and the fact that he is a supervisor of the Target Company.

As the highest percentage ratio applicable to the Sale and Purchase Agreement is more than 5%, the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond (which constitutes a financial assistance to the Company) are subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder and the Bond.

APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has appointed Merdeka Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond.

GENERAL

Completion of the Sale and Purchase Agreement is subject to the satisfaction of the conditions precedent, which may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares.

EGM

A notice convening the EGM to be held at Units 1302–1303, 13/F, Ruttonjee House, 11 Duddell Street, Central, Hong Kong on Friday, 23 October 2020 at 4:00 p.m. is set out on page EGM-1 for the Shareholders to consider and, if thought fit, approve the ordinary resolutions in respect of the Proposed Amendment, the grant of the Specific Mandate, the Sale and Purchase Agreement and the Bond.

A proxy form for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting (i.e. Wednesday, 21 October 2020 at 4:00 p.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Tuesday, 20 October 2020 to Friday, 23 October 2020, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 October 2020.

The voting in respect of the resolutions at the EGM will be conducted by way of a poll.

With respect to the Supplemental Deed, to the best of the Directors' knowledge, information and belief, no Shareholder has an interest in the Supplemental Deed and the Specific Mandate that is materially different from the other Shareholders. Mr. Chen and Mr. Lin, both being substantial Shareholders, provided guarantees and securities on the Convertible Notes. Therefore they are required to abstain from voting at the EGM in respect of the Supplemental Deed and the Specific Mandate. Save as the above, no other Shareholder is required to abstain from voting at the EGM in respect of the Supplemental Deed and the Specific Mandate. As at the Latest Practicable Date, Mr. Chen and Mr. Lin did not have any other arrangements, agreements or understanding (whether formal or informal, express or implied) with the New Subscriber and the Company. With respect to the Sale and Purchase Agreement, the Vendor is the uncle and an associate of Mr. Chen, an executive Director, a substantial shareholder and the chairman of the Company. He is also a supervisor of the Target Company. Therefore, Mr. Chen is interested in the Sale and Purchase Agreement. As at the

Latest Practicable Date, Mr. Chen Jinle is personally interested in 15,452,000 shares of the Company and is also deemed to be interested in another 892,768,273 shares of the Company through Oriental Gold Honour Joy International Holdings Limited, a company wholly-owned by him, representing an aggregate of approximately 20.39% of the entire issued share capital of the Company. Mr. Chen Jinle, Oriental Gold Honour Joy International Holdings Limited and their associates will abstain from voting on the resolutions approving the Sale and Purchase Agreement and the respective transactions contemplated thereunder and the issue of the Bond at the EGM. Save as the aforesaid, to the best knowledge of the Directors, no other Shareholders are required to abstain from voting on the ordinary resolutions approving the Sale and Purchase Agreement and the respective transactions contemplated thereunder and the issue of the Bond at the EGM.

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 36 to 37 of this circular. The Independent Board Committee, having taken into account the advice from Merdeka Corporate Finance Limited, the text of which is set out on pages 38 to 56 of this circular, considers that the Sale and Purchase Agreement is entered into and the Bond is issued upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Sale and Purchase Agreement and the Bond are fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the respective transactions contemplated thereunder and the issue of the Bond.

The Board considers that the terms of the Supplemental Deed and the Specific Mandate, the Sale and Purchase Agreement and the Bond are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of EGM.

Yours faithfully,
For and on behalf of the Board
Jintai Energy Holdings Limited
Yuan Hongbing
Executive Director and Chief Executive Officer

金泰能源
JINTAINENGYUAN

JINTAI ENERGY HOLDINGS LIMITED
金泰能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

8 October 2020

To the Independent Shareholders,

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

We refer to the circular of the Company dated 8 October 2020 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We, being the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee and advise you in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond and to recommend whether or not the Independent Shareholders should vote on the resolution in respect of the same to be proposed at the EGM.

Merkeda Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the "Letter from the Board" set out on page 7 of the Circular; (ii) the "Letter from the Independent Financial Adviser" set out on page 38 of the Circular to the Independent Board Committee and the Independent Shareholders which contains its advice to you and us in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond, as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Having taken into account the principal reasons and factors considered by, and the advice of, Merkeda Corporate Finance Limited as set out in the "Letter from the Independent Financial Adviser" in the Circular, we are of the opinion that (i) the terms of Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the terms of the Bond are on normal commercial terms, are in the ordinary and usual course of the business of the Group, are fair and reasonable and are in the interest of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond.

Yours faithfully,
Independent Board Committee

Mr. Tche Heng Hou Kevin	**Mr. Gao Han**	**Mr. Mak Tin Sang**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the Bond, which has been prepared for the purpose of inclusion in this circular.

MERDEKA 領智

Room 1108, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

8 October 2020

To: The Independent Board Committee and the Independent Shareholders of Jintai Energy Holdings Limited

Dear Sirs/Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond. Details of the Sale and Purchase Agreement are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company to the Shareholders dated 8 October 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 7 August 2020 in relation to the Sale and Purchase Agreement and the Bond. The Company entered into the Sale and Purchase Agreement with the Vendor and Beijing Century on 7 August 2020.

On 7 August 2020 (after trading hour), the Company, Beijing Century and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and Beijing Century has agreed to acquire the Equity Interest, and the Company has agreed to issue the Bond to the Vendor.

As the highest percentage ratio applicable to the Sale and Purchase Agreement is more than 5%, the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond (which constitutes a financial assistance to the Company) are subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Further, as at the Latest Practicable Date, the Vendor is the uncle and an associate of Mr. Chen Jinle, an executive Director, a substantial Shareholder and chairman of the Board. Therefore, the Vendor is a connected person of the Company and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond constitutes as connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Chen Jinle, an executive Director and chairman of the Board, has abstained from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the Bond because of his relationship with the Vendor and the fact that he is a supervisor of the Target Company.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Acquisition, there were no engagements between the Group or the Shareholders and Merdeka Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned appointment would not affect our independence, and that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Company; and (iv) our review of the relevant public information. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and its advisers, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond are in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

1.1 Background of the Group and Beijing Century

The Group is principally engaged in energy trading, including mainly trading of fuel oil and kerosene and speaker manufacturing and trading business. Beijing Century is a wholly-owned subsidiary of the Company and an investment holding company.

1.2 Financial Information of the Group

The information below sets out the summary financial information of the Group as extracted from the Company's annual reports for the years ended 31 December 2019 (the "**AR 2019**") and 31 December 2018 and the Company's interim reports for the six months ended 30 June 2019 and 30 June 2020 (the "**IR 2020**"):

Consolidated statement of profit or loss

	For the financial year ended 31 December		**For the six months ended 30 June**	
	2018	**2019**	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	1,848,844	3,003,380	20,988	2,704,176
Gross profit	19,471	62,884	(3,419)	(188,825)
Profit/(loss) for the year/period attributable to:				
Owners of the Company	(351,811)	(599,250)	(306,601)	101,280
Non-controlling interests	—	1,121	—	(45,971)
Profit/(loss) for the year/period	(351,811)	(598,129)	(306,601)	55,309

As illustrated above, the Group's revenue increased from approximately HK$1,848.8 million for the year ended 31 December 2018 (the "**FY2018**") to approximately HK$3,003.4 million for the year ended 31 December 2019 (the "**FY2019**"), representing an increase of approximately 62.45%. We noted that such increase in revenue was mainly attributable to an increase in the number of stable customers and expansion of the Group's product portfolio.

The Group recorded a loss attributable to owners of the Company for the FY2019 in the amount of approximately HK$599.3 million as compared to the loss attributable to owners of the Company for the FY2018 in an amount of approximately HK$351.8 million. Such loss was mainly attributable to, among other things, the increase in (i) distribution expenses, (ii) administrative expenses, (iii) impairment of trade receivables and (iv) impairment of prepayments.

As illustrated above and as disclosed in the Company's positive profit alert announcement dated 29 July 2020, the Group recorded a significant increase in revenue for the six months ended 30 June 2020 (the "**1H2020**") of approximately HK$2,704.2 million as compared to approximately HK$21.0 million for the six months ended 30 June 2019 (the "**1H2019**"). The Group also recorded a net profit for the 1H2020 of approximately HK$55.3 million as compared to the net loss for the 1H2019 of approximately HK$306.6 million. As disclosed in the Company's positive profit alert announcement dated 29 July 2020 and the IR 2020, such significant increase in revenue for the 1H2020 as compared to 1H2019 was mainly attributable to a gain on disposal of subsidiaries that was partially offset by the impairment loss of other receivables from the relevant disposed subsidiaries.

Consolidated statement of financial position

	As at 31 December		**As at 30 June**
	2018	**2019**	**2020**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(audited)	(audited)	(unaudited)
Total Assets	664,009	1,702,261	2,178,348
Total Liabilities	601,308	2,128,733	2,504,180
Net Assets/(Liabilities)	62,701	(426,472)	(325,832)

The Group's total assets and total liabilities as at 31 December 2019 amounted to approximately HK$1,702.3 million (2018: approximately HK$664.0 million) and approximately HK$2,128.7 million (2018: approximately HK$601.3 million), respectively. This represented an increase as at 31 December 2019 since 31 December 2018 in total assets of approximately HK$1,038.3 million, primarily attributable to the increase in (i) inventories, (ii) trade and other receivables and prepayments, and (iii) cash and cash equivalents. The increase in total liabilities of approximately HK$1,527.4 million as at 31 December 2019 since 31 December 2018 was predominately caused by the increase of (i) current trade and other payables, (ii) current contract liabilities, (iii) current convertible loan notes, and (iv) current borrowings.

The Group's total assets and total liabilities as at 30 June 2020 amounted to approximately HK$2,178.3 million and approximately HK$2,504.2 million respectively. This represented an increase in total assets and total liabilities as at 30 June 2020 since 31 December 2019 of approximately HK$476.0 million and HK$375.5 million respectively. The increase in total assets as at 30 June 2020 since 31 December 2019 was primarily attributable to an increase in trade and other receivables and prepayments. The increase in total liabilities as at 30 June 2020 since 31 December 2019 was primarily attributable to an increase of (i) contract liabilities; and (ii) borrowings.

2. Information on the Target Group

2.1 Background of the Target Group

The Target Company was incorporated in the PRC on 23 March 2006 and the business commenced on the same date. It is principally engaged in the transportation of hazardous products. It is also authorised to engage in logistics consultancy, logistics agency, chemical products, vehicle part sales, vehicle leasing but does not operate such business. It obtained the qualification to deliver hazardous products in 2006.

The Group has no current business arrangement/transaction with the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Target Company had approximately 90 vehicles and approximately 50 professional drivers who are qualified to deliver hazardous products. The Target Company collects products including among others, fuel oil from Dongying City, Shandong Province and delivers the same to customers across the PRC.

2.2 Financial information of the Target Group

Set out below is a summary of the financial information of the Target Company for each of the two years ended 31 December 2018 and 2019 as set out in the unaudited accounts of the Target Company compiled in accordance with the generally accepted accounting principles of the PRC:

	For the year ended 31 December		**For the six months ended 30 June**
	2019	**2018**	**2020**
	RMB	*RMB*	*RMB*
	(unaudited)	(unaudited)	(unaudited)
Revenue	69,129,448.93	72,889,993.35	8,500,319.69
Gross profit (loss)	5,149,131.82	3,997,675.07	(4,625,419.91)
Net profit (loss) before taxation	58,976	34,496	(6,746,304.99)
Net profit (loss) after taxation	44,232	27,841	(6,746,304.99)

As at 30 June 2020, the unaudited total assets value and unaudited net assets value of the Target Company were approximately RMB85,155,424 and RMB23,481,678.65 respectively.

3. Reasons for entering into the Sale and Purchase Agreement

The Group is principally engaged in energy trading, including mainly trading of fuel oil and kerosene and speaker manufacturing and trading business.

As at the Latest Practicable Date, the Directors believe that the acquisition of the Target Company can complement the Company's energy trading business. A major component of the operations of the Group's energy trading businesses is the transportation of the fuel oil and kerosene that the Group trades in, as such logistics arrangement is an important part of energy trading. The benefits of owning a logistics services company are that it can enhance the safety of transportation, control delivery time, control cost, and create synergy effect without having to rely on third party service providers.

Both the Group and the Target Company are in the energy industry. Mr. Chen has more than 10 years of experience in the management of transportation of hazardous products. He is a supervisor of the Target Company. Further, the Group intends to retain the existing management of the Target Company to operate its business such that the Group will have time to familiarize with the business of the Target Company.

As disclosed above in the section "*Financial Information of the Group*", the Group recorded a net loss for the FY2018 and FY2019 and as such, is in need of expanding and diversifying its business model and product portfolio. As quoted from the AR 2019, "in respect of business expansion, the Group is considering the acquisition of a company engaging in the transportation of petroleum products and a company engaging in the operation service of the digital trade industrial park of energy business sector in the PRC. In addition, the Group will continue to seek new investment and business opportunities in energy mining, energy transportation, petroleum exploration technology services, petroleum refinery services, petroleum products retail, energy internet and energy financing, etc., to build a petrochemical energy industry ecosystem, and boost the Company's competitiveness and profitability", the Group has had the intention of further expanding and diversifying its business within the energy industry.

We have interviewed the management of the Company and we noted that the major revenue and profit contributor of the Target Company was generated from hazardous product transportation. According to a report promulgated by the Ministry of Transport, i.e. the Administrative Provisions on Road Transportation of Dangerous Goods (道路危險貨物運輸管理規定), which became effective on 1 July 2013 and was amended on 28 November 2019, any individuals or institutions that engage in the operation of road transportation as well as businesses related to road transportation shall abide by these regulations. Pursuant to these regulations, the PRC government had implemented a licensing system for road transportation operations, which issues relevant road transportation operation licenses for applicants, as well as vehicle operation licenses for vehicles that are used for road transportation. We noted that the Target Company had obtained and maintained its transportation license for hazardous product (type 3) since 2006 and no operational accident has been recorded since the commencement of operations. The Target Company has established a professional hazardous products transportation team with approximately 90 vehicles for long and short distance transportation with a GPS satellite monitoring and control system to ensure the safety of the logistic chain. The requirements for the abovementioned licences for transportation are very strict, as such, the licences obtained by the Target Company are considered by the Directors to be valuable assets.

As discussed with the management of the Company, safety and efficiency are major concerns when it comes to managing the logistics of petroleum. The development of an e-commerce and logistics system is expected to be another key driver of the energy trading business. We noted that the Company is expecting the continuous growth in demand of trackable logistic system of the petroleum transportation vehicles in order to (i) raise efficiency and reduce transportation costs by using big data analysis; (ii) enhance the safety of transportation through real time monitoring and trackable vehicles; and (iii) use the tracking system as an entry point to establish an online transportation platform and implement to other core business of the Group.

The Target Company's operations provide synergy effects with the Group's operations within the energy trading industry. The Target Company has a solid foundation in the major roadmap of petroleum transportation in Dongying, Shandong Province, being one of the transport hubs and the major petroleum product distribution centre in Shangdong Province. The Group will be able to take full advantage of the Target Company's logistics infrastructure and transportation network in the existing operations of the Group's energy trading business. The Group currently relies on various third party logistics services providers to transport various energy products such as oil, as the Group continues to expand its operations the Group's expenses related to relying on such third party logistics services providers will also continually increase. As both the Target Company and the Group's operations are based in Shandong province of the PRC, the Group will be able to practically utilise the Target Company's fleet of tanker trucks and storage facilities to enable a stable and timely supply of fuel oil products and petrochemical products to customers of the Group which will significantly control costs related to the transportation and storage of the Group's various energy products.

The Target Company's logistics infrastructure will also help support the Group's further expansion and diversification into different segments of the energy industry through benefits including but not limited to increased transportation safety, more efficient delivery times and logistics related costs control.

Having considered the benefits that are expected to be derived from acquisition of the Target Company such as the potential synergy effects with the Group's existing business, transportation cost saving and the Group's expansion and diversification into other segments of the energy industry, we concur with the Directors' view that the acquisition of the Target Company represents a good opportunity for the Group to further enhance the profitability of the Group through expanding the Company's business network and product portfolio and enables the Group to benefit from logistics related costs control and is in the interests of the Company and Shareholders as a whole.

4. The Sale and Purchase Agreement

4.1 Principal terms of the Sale and Purchase Agreement

Set out below is the summary of the principal terms of the Sale and Purchase Agreement as extracted from the Board Letter.

Date:	7 August 2020
Parties:	1. The Vendor as vendor; 2. Beijing Century as purchaser; and 3. the Company as bond issuer
Consideration:	RMB23,481,678.65 (the "**Consideration**") to be settled by way of issue of the Board

4.2 Assets to be acquired

100% of the equity interest of the Target Company.

4.3 Consideration

The Consideration represents the unaudited net asset value of the Target Company as at 30 June 2020. The terms of the Bond were determined after arm's length negotiation among the parties with reference to (i) the net asset value of the Target Company; (ii) the current market situation; (iii) the prospects of the business of the Target Company; and (iv) the financial performance of the Target Company from 2018 to 30 June 2020.

As disclosed in the Board Letter, the information regarding the original acquisition cost was not yet available to the Company when the Sale and Purchase Agreement was entered into. Subsequent to the entering into of the Sale and Purchase Agreement, the Company was informed by the Vendor that the original acquisition cost was the same as the Consideration payable by Beijing Century. Mr. Chen Guangsan, the father of Mr. Chen Jinle, acquired the Target Company in 2015 to transport hazardous products. The Vendor acquired the Target Company in June 2020. Subsequent to the completion of the original acquisition by the Vendor, due to a change in his original business plan regarding the use of the Target Company, the Vendor explored the possibility of disposing of the Target Company at the original acquisition cost. As both the Vendor and the Company are involved in the energy industry, the Vendor and the Company entered into discussions for the acquisition of the Target Company. As advised by the management of the Company, the original acquisition of the Target Company by the Vendor has no relation to the Sale and Purchase Agreement.

We have noted that the Target Company experienced a substantial drop in revenue and also recorded a net loss for the six months ended 30 June 2020. As advised by the management of the Company, such substantial reduction in operations and the resultant net loss position for the six months ended 30 June 2020 of the Target Company was primarily due to the outbreak of COVID-19 pandemic. As a result of the outbreak of

COVID-19 pandemic in the first half of 2020, the PRC Government implemented strict lockdowns across the PRC which severely limited the Target Company's operations especially due to Shandong Provinces' relative proximity to Hubei where the COVID-19 pandemic originated. The COVID-19 pandemic also subsequently resulted in a global lockdown that caused a severe deterioration in the global economy, in particular the oil prices. Making reference to the West Texas Intermediate, one of the most popularly traded grades of oil, crude oil prices in the first half of 2020 saw an unprecedented collapse from a high of US$63.02 on 3 January 2020 to a low of US$0.01 on 20 April 2020. Since July 2020, trading of energy products has increased in certain parts of the PRC where the pandemic has been alleviated and crude oil prices have also since rebounded according to the West Texas Intermediate (i.e. approximately US$41.22 as at the date of the Sale and Purchase Agreement). According to the unaudited management account of the Target Company as at 30 September 2020, the monthly revenue of the Target Company is approximately RMB2.22 million, which has increased approximately 56.34% from approximately RMB1.42 million in June 2020. The Directors are of the opinion that the above factors are unprecedented situations that have affected nearly all businesses in the PRC and whose effects are one-off and temporary and should not be a major factor in the determination of the Consideration.

We have noted from the management accounts of the Target Company as illustrated in the Board Letter, that the majority of the Target Company's assets are highly liquid. Of the Target Company's approximately RMB85.2 million in total assets, approximately RMB53.5 million, representing approximately 62.8% of the Target Company's total assets, are highly liquid assets in the form of approximately (i) RMB1.0 million in cash; (ii) RMB7.5 million in accounts receivables; (iii) RMB17.5 million in prepayments; (iv) RMB25.4 million in other receivables; and (v) RMB2.1 million in inventories. As advised by the management of the Company, the composition of the Target Company's net assets was a major factor in the determination of the original acquisition and the Directors concurred with the Vendor's assessment of the assets of the Target Company and subsequently performed due diligence that was to the satisfaction of the Directors.

Comparables

As the Consideration is equivalent to the Target Company's unaudited net asset value as at 30 June 2020 which implies a price-to-book ratio (the "**P/B**") of 1.0 (the "**Implied P/B**"), in forming our opinion on the fairness and reasonableness of the Consideration, we have focused our analysis on the P/B of comparable companies listed in the market that are comparable to the Target Company in terms of their business nature which are engaged in business activities similar to the Target Company being in the hazardous products logistics related solutions. P/B is one of the most widely used and accepted methods for valuing a business and is a commonly used benchmark in valuing a company. The P/B is the comparison between the market value and net asset values attributable to the owners of the relevant company therefore we have attempted to conduct an analysis with reference to the P/B.

Considering the unique characteristics of the Target Company, there was a lack of market comparables or transactions available to derive an indicative value with sufficient level of accuracy. In our attempt to identify comparable companies on a best effort basis based on the following criteria: (i) the shares of which are listed on the GEM and Main Board of the Stock Exchange; and (ii) engaged in principal business similar to the Target Group business and which generated over 50% of its total revenue for the latest completed financial year from the said business. However, we could not identify any comparable company matching the above criteria. We have extended our search criteria to the provision of oil and chemical related logistics solutions in the PRC that are listed on stock exchanges in the PRC. In this regard, we have identified 5 comparable companies (the "**Comparables**"). We consider that the Comparables represent an exhaustive list of comparable companies under the relevant criteria above. Due to the specific nature of the Target Company's business, whilst these 5 comparable companies are not engaged in exactly the same business as the Target Company and they may not be entirely comparable to the Target Company in terms of products, stage of development, operation scale, market capitalisation, listing status and other relevant criteria as compared to the Target Company, we believe that the 5 comparable companies are able to serve as fair and representative samples for comparison purposes, and in forming our opinion, we have considered the P/B analysis results below with all other factors stated in this letter as a whole.

Company	Stock Code	Business	Market capitalisation[3]	Net profit[4]	P/B[1]	P/E
				(HK$ million)		
Nanjing Tanker Corporation	601975-CN	transportation services for global petrochemical products	10,812.1	1,002.4	2.26	10.79
Xinjiang International Industry Co., Ltd.	000159-CN	procurement, sale, warehousing, and transportation of refined oil and chemical products	3,422.0	29.4	1.57	116.20
Shanghai ACE Investment & Development Co., Ltd.	603329-CN	supply chain logistics and supply chain implementation of the trading business, providing services to phosphorous chemical industry, non-ferrous metals, coal industry and other industries	1,022.8	NA[2]	1.48	NA[2]

Company	Stock Code	Business	Market capitalisation[3]	Net profit[4]	P/B[1]	P/E
				(HK$ million)		
Milkyway Chemical Supply Chain Service Co., Ltd.	603713-CN	provision of chemical supply chain services	10,296.6	221.7	6.98	46.45
Hengtong Logistics Co., Ltd.	603223-CN	road freight logistics and LNG trade logistics businesses	4,727.6	15.8	4.31	299.43
				Maximum	**6.98**	**299.43**
				Average	**3.32**	**118.22**
				Minimum	**1.48**	**10.79**
Implied P/B					1.0	

Note:

1. The P/B of the Comparables are calculated based on the market capitalization and the latest published financial reports of the Comparables as at the date of the Sale and Purchase Agreement, 7 August 2020.

2. Not applicable due to net loss position according to the latest published annual financial results of the Comparables as at the date of the Sale and Purchase Agreement, 7 August 2020.

3. References are made to the closing prices of the relevant equities as at the date of the Sale and Purchase Agreement, 7 August 2020.

4. References are made to the net profit for the most recent financial year of the relevant equities as at the date of the Sale and Purchase Agreement, 7 August 2020.

As illustrated above, the P/B of the Comparables ranged from a minimum of 1.48 to a maximum of 6.98 with an average of 3.32. The Implied P/B of 1.0 for the acquisition of the Target Company is below the P/B of all the Comparables. The P/B of the Comparables also displays a much narrower range as compared to the more varied P/E which illustrates that the market in general values companies engaged in similar businesses to the Target Company are valued largely on their assets rather than their earnings.

As the Target Company recorded a net profit for the year ended 31 December 2019, in forming our opinion on the fairness and reasonableness of the Consideration, we also attempted to take into consideration the price-to-earnings ratio (the ‘‘**P/E**’’) of the Comparables. However, as illustrated above, the P/E of the Comparables range from 10.79 to 299.43 and do not show a general trend. As such, we consider P/E analysis of the Consideration is not appropriate.

Conclusion on Consideration

As disclosed in the section ‘‘Basis of consideration’’ in the Board Letter, the Directors did not conduct valuation on the Target Company because they believed that the business and the assets portfolio of the Target Company were simple. Further, the relatively small value of the Consideration of this transaction would not justify the cost of valuation. Further, the Directors do not intend to make the Target Company the sole profit centre of the Group. Therefore, the profitability of the Target Company was not the only factor considered by the Directors in the acquisition of the same and other non-monetary benefits which may be brought to the Group are equally important.

As illustrated in the above section, companies engaged in similar businesses to the Target Company are valued largely on their assets rather than their earnings. In regards to using a valuation to determine the Consideration, taking into account the (i) relatively small size of the Target Company’s fixed assets (i.e. net book value of approximately RMB7.2 million, representing approximately 8.5% of the Target Company’s total assets of approximately RMB85.2 million) as disclosed in the section ‘‘Financial performance of the Target Company’’ in the Board Letter; (ii) the relatively liquid nature of the Target Company’s assets as disclosed in the section ‘‘Financial performance of the Target Company’’ in the Board Letter; (iii) the relatively small amount of the Consideration; and (iv) the cash and cash equivalents of the Group as at 31 July 2020 (i.e. approximately HK$18 million), a valuation would be impractical and costly. As such, we are of the view that the use of the Target Company’s unaudited net asset value as at 30 June 2020 is fair and reasonable.

Having considered that (i) the assets of the Target Company are relatively liquid; (ii) the Implied P/B is below the P/B of all the Comparables implying a discount to comparable companies in the market; (iii) the abovementioned reasons for using the unaudited net asset value of the Target Company as at 30 June 2020 as the basis of the Consideration; and (iv) the potential synergy effects between the Target Company and the Group’s operations as mentioned in the section ‘‘Reasons for entering into the Sale and Purchase Agreement’’ in the Board Letter, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

4.4 Conditions precedent

Completion shall be subject to the fulfilment of the following conditions precedent:

(a) Beijing Century and the Company having complied with all requirements under the applicable laws and the Listing Rules;

(b) the Independent Shareholders having passed, inter alia, ordinary resolutions at the EGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond;

(c) Beijing Century having completed due diligence on legal, financial, technical aspects and business of the Target Company and is satisfied with the results;

(d) Beijing Century and the Company having obtained all necessary approvals for entering into the Sale and Purchase Agreement and the transactions contemplated thereunder and the issue of the Bond;

(e) the representations and warranties given by the Vendor in the Sale and Purchase Agreement remaining true, accurate and not misleading; and

(f) the Target Company does not encounter any material adverse change on or before the Completion Date.

As at the Latest Practicable Date, condition (c) has been fulfilled. The conditions precedent as set out in paragraphs (c), (e) and (f) can be waived. If any of the above conditions precedent is not satisfied or waived by 5 November 2020, the Sale and Purchase Agreement shall be terminated.

Termination:

Beijing Century may terminate the Sale and Purchase Agreement if the Vendor is in breach of any representation and warranty or violate any material terms therein.

4.5 Completion

Completion shall take place on the 3rd Business Day after satisfaction of the conditions precedent (or such other date as the parties may agree).

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and the results of the Target Company will be consolidated into the financial statements of the Company after Completion.

Having considered all the above, we are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as whole.

5. The Bond

5.1 Principal terms

Set out below is the summary of the principal terms of the Bond as extracted from the Board Letter.

Effective Date:	The 3rd Business Day after satisfaction of the conditions precedent (or such other date as the parties may agree).
Principal amount:	RMB23,481,678.65
Interest rate:	5% per annum
Interest payment date:	Maturity date
Maturity date:	The date falling on the third anniversary of the date of issue of the Bond.
Transferability of the Bond:	The Bond shall be transferrable.
Early redemption of the Bond:	The Company may early redeem the Bond at any time before the maturity date.
Security of the Bond:	The Bond is unsecured.
Rights and obligations for failure of repayment:	In the event the Company fails to satisfy its obligations of payment of principal and interests, the holder of the Bond may enforce the securities and guarantees on the Convertible Notes or otherwise take legal action against the Company for repayment of the outstanding principal and interests.

As disclosed in the Board Letter, the interest rate of the Bond was determined by taking into account the announcement published by the People's Bank of China on 20 July 2020 that the annual loan prime rate for 1-year loans was 3.85%, and the loan prime rate for loans with a term exceeding 5 years was 4.65% and considering that (i) the interest of the Bond is payable upon maturity in one lump sum; (ii) the Bond is unsecured; (iii) the Company had unaudited total liabilities of HK$2,504.2 million as at 30 June 2020, the Directors considered that the interest rate of the Bond (i.e. 5% per annum) has reasonably reflected the risk of default of the Company and therefore was on normal commercial terms.

In respect of the settlement method of the Consideration, we have firstly compared the Bond against other possible means for settlement of the Consideration including but not limited to cash, issue of consideration shares and convertible bonds, equity financing such as placing of new shares and rights issue/open offer. Regarding the settlement of the

Consideration with cash, the Company's cash and cash equivalents as at 30 June 2020 had decreased from approximately HK$320.3 million as at 31 December 2019 to approximately HK$58.6 million. As advised by the Company, the Company's cash and cash equivalents as at 31 July 2020, according to their management accounts, had further decreased to approximately HK$18 million. As such, the Company does not have the required amount of cash on hand to fully settle the Consideration.

In regards to equity fund raising, during the 12 months prior to the date of the Sale and Purchase Agreement, the Company has already conducted 3 issues of new Shares with an aggregate of 1,360,503,480 new Shares, representing approximately 30.54% of the Company's existing issued share capital as at the date of the Sale and Purchase Agreement and approximately 43.96% of the Company's issued share capital prior to the aforementioned issues of new Shares. As the Company has already significantly diluted the Company's shareholdings in the 12 months prior to the date of the Sale and Purchase Agreement and has already fully utilised its general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 29 May 2020, the Directors do not wish to further dilute the existing shareholdings. Whilst a rights issue or open offer would potentially not result in a dilution of the Company's existing shareholdings, taking into account the relatively small size of the Consideration as compared to the Company's market capitalisation, conducting a rights issue or open offer would be impractical and costly.

As at 30 June 2020, the Group has current borrowings due within 12 months of approximately HK$1,407.6 million. The Company has approached certain commercial banks in the PRC for obtaining debt financing. However, they refused to grant a loan facility to the Company. As such, due to the unsatisfactory financial performance of the Group in the past few years and the large amount of the Group's existing borrowings, the Directors are not confident that the Company would be able to secure the required amount of funding from bank financing at favorable terms and on an unsecured basis.

Taking into account the above factors, as the issue of the Bond (i) would not result in an immediate cash outflow that would severely affect the Group's working capital; (ii) would not result in any dilution of existing shareholdings; and (iii) is cost- and time-efficient as compared to an equity fundraising exercise, we are of the view that settlement of the Consideration by way of issue of the Bond is in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness on the terms of the Bond, we have identified issue of straight non-convertible bonds issued for the purpose of fundraising announced by companies listed on the Stock Exchange (the "**Bond Comparable(s)**") from 7 August 2019 to 7 August 2020, being a one year period ending on the date of the Sale and Purchase Agreement (the "**Comparable Period**"). The Comparable Period was chosen for the demonstration of recent market practices in relation to issue of bonds. We consider the aforesaid selection criteria to be appropriate and have not narrowed down the selection criteria by nature of business of the Target Company, transaction size, size of the listed company, etc. (which do not materially impact the comparability of the Bond Comparables) as this will result in insufficient number of comparables. Whilst the Bond

Comparables were not issued for the purpose of settlement of the Consideration of a transaction, an issue of Bonds for fundraising purposes is due to insufficient cash and cash equivalents for either operating purposes or settling existing borrowings. Whilst the issue of the Bond is for the settlement of the Consideration, the Company is in the similar situation of insufficient cash and cash equivalents. As such, we are of the opinion that the Bond Comparables are relevant. To the best of our knowledge and as far as we are aware, we have found 7 comparables which meet the said criteria. We consider that the Bond Comparables represent an exhaustive list of comparable bonds under the relevant criteria above.

Date of Announcement	Company Name	Stock code	Maturity (years)	Denominated currency	Interest rate per annum (%)
7-Aug-20	Beijing Properties (Holdings) Limited	925	2.5	US$[1]	5.95
6-Aug-20	Times China Holdings Limited	1233	4	RMB	5.68
6-Aug-20	New Concepts Holdings Limited	2221	2	HK$	11
6-Aug-20	China Aoyuan Group Limited	3883	5	RMB	5.65
23-Jul-20	Chinlink International Holdings Limited	997	1	HK$	6.5
25-Feb-20	Beijing Properties (Holdings) Limited	925	3	US$[1]	5.95
8-Aug-19	Ming Lam Holdings Limited	1106	1	HK$	12
		Maximum	5		12
		Average	2.64		7.52
		Minimum	1		5.65
		Bond	**3**		**5**

Note:

1. United States dollars ("**US$**"), the lawful currency of the United States of America

Shareholders should note that the businesses, operations, financial performance and prospects of the Company are not the same as the subject companies in the Bond Comparables, and thus the Bond Comparables are for reference only. Whilst the Bond Comparables vary in their businesses, operations, financial performance and prospects, we have noted that all of the Bond Comparables are also based in the PRC and have significant borrowings similar to the Company. Nevertheless, as illustrated above, the interest rates of all the Bond Comparables are higher than the Bond despite certain Bond Comparables having better financial performance and prospects than the Company.

We noted from the above table that the annual interest rates of the Bond Comparables ranged from 5.65% to 12% and the maturity dates ranged from 1 to 5 years. The maturity date of the Bond of 3 years is within the range of the maturity dates of the Bond Comparables. The interest rate of the Bond of 5% per annum is below the minimum rate of the Bond Comparables.

Taking into account (i) cash and cash equivalents of the Group as at 31 July 2020; (ii) the interest rate of the Bond of 5% per annum is below the minimum rate of the Bond Comparables; (iii) other financing alternatives would either result in a dilution in the shareholding of existing Shareholders or be more costly and time consuming than the issuance of the Bond; (iv) the Bond is unsecured; (v) there is no immediate cash outflow of the Company for settlement of the Consideration and the Bond will enable the Group to retain more cash for working capital purposes; and (vi) the Company can, at any time prior to maturity, early redeem the Bond without incurring any penalties, we consider that the terms of the Bond are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible financial effects of the Sale and Purchase Agreement and the Bond

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

As disclosed in section "*Financial information of the Target Group*", the Target Group recorded a net profit after taxation of RMB44,232 and RMB27,841 for FY2019 and FY2018 respectively. While the acquisition of the Target Company would not have any material impact on the earnings of the Group immediately upon Completion, in light of, among others, the potential synergy effects between the Target Company and the Group's business as mentioned in the section above headed "Reasons for entering into the Sale and Purchase Agreement", it is expected that earnings of the Group will be enhanced in the long run after Completion. The interest payments on the Bond of approximately RMB1.17 million per annum will have a minimal effect on the earnings of the Group being approximately 0.039% of the Group's revenue of approximately RMB3,003.4 million in FY2019.

In light of the above, we are of the view that the acquisition of the Target Company and the issue of the Bond are likely to have an overall positive financial effect on the Group in long run.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Sale and Purchase Agreement together with the Bond are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of Company and the Independent Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM in this regard.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Jeannie Chan
Director

Ms. Jeannie Chan is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and short positions in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

Name of Directors	Capacity	Number of ordinary Shares *(Note 1)*	Approximate percentage of the issued Shares *(%)*
Lin Caihuo	Beneficial owner	928,284,839	20.84
Chen Jinle	Interest of controlled corporation *(Note 2)*	892,768,273	20.04
	Beneficial owner	15,452,000	0.35
Yuan Hongbing	Beneficial owner	1,592,000	0.04

Notes:

(1) Interests in shares stated above represent long positions.

(2) These shares were held by Oriental Gold Honour Joy International Holdings Limited, which was wholly owned by Mr. Chen Jinle. By virtue of the SFO, Mr. Chen Jinle was deemed to be interested in the Shares held by such company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or to be entered in the register maintained by the Company under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long and short positions in Shares and underlying Shares of the Company

Name of Shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of the issued Shares** *(%)*
Zhongtai International Asset Management Limited	Investment manager	1,821,053,112	40.88
Zhongtai Innovation Capital Management Limited	Investment manager	1,821,053,112	40.88
Zhongtai International Asset Management (Singapore) Pte. Ltd.	Investment manager	1,821,053,112	40.88
Winwin International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No. 1 Fund SP)	Person having a security interest in shares	1,821,053,112	40.88
Lin Caihuo	Beneficial owner	928,284,839	20.84
Lin Ai Hua	Interest of spouse *(Note 2)*	928,284,839	20.84
Oriental Gold Honour Joy International Holdings Limited	Beneficial owner	892,768,273	20.04
Chen Jinle	Interest of controlled corporation *(Note 3)*	892,768,273	20.04
	Beneficial owner	15,452,000	0.35

Name of Shareholder	Capacity	Number of Shares *(Note 1)*	Approximate percentage of the issued Shares *(%)*
Hong Kong Moral Co-Operation Investment Limited	Beneficial owner	742,503,480	16.67
Niu Guangchang	Interest of controlled corporation *(Note 4)*	742,503,480	16.67
Super Wise International Investment Limited	Beneficial owner	540,000,000	12.12
Cui Xianguo	Interest of controlled corporation *(Note 5)*	540,000,000	12.12

Notes:

(1) Interests in shares stated above represent long positions.

(2) Ms. Lin Ai Hua is the spouse of Mr. Lin Caihuo.

(3) These shares were held by Oriental Gold Honour Joy International Holdings Limited, which was wholly owned by Mr. Chen Jinle. By virtue of the SFO, Mr. Chen Jinle was deemed to be interested in the Shares held by such company.

(4) These shares were held by Hong Kong Moral, which was wholly owned by Mr. Niu Guangchang. By virtue of the SFO, Mr. Niu was deemed to be interested in the Shares held by such company.

(5) These shares were held by Super Wise, which was wholly owned by Mr. Cui Xianguo. By virtue of the SFO, Mr. Cui was deemed to be interested in the Shares held by such company.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

4. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Merdeka Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Merdeka Corporate Finance Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, Merdeka Corporate Finance Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, Merdeka Corporate Finance Limited did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

6. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Lin had interests in the following business conducted through the companies named below:

Name of company	Nature of interest	Description of business of the company
Fujian Yuhua Petrochemical Company Limited* (福建裕華石油化工有限公司)	Executive Director and the General Manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Petroleum product trade, storage, transportation and distribution business
Fujian Yuhua Energy Company Limited* (福建裕華能源有限公司)	Executive Director and the General Manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Wholesale and retail of dangerous chemicals, petroleum products, chemical products and machinery equipment leasing
Fujian Yuhua Group Limited* (福建裕華集團有限公司)	Shareholder, Executive Director and the General Manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Wholesale and retail of petroleum products, management of real estate investment, development, sales, rental, property management and equity investment, business consulting, and enterprise financial management consulting
Xiamen Oceanstar Shipping Company Limited* (廈門海之星航運有限公司)	Executive director and the general manager Mr. Lin and his spouse indirectly held 90% and 10% of the equity interest respectively	Coastal cargo transportation, inland cargo transportation, ship port services, ship management business and real estate development and operation

Save as disclosed above, none of the Directors or their respective associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

7. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

On 24 October 2019 (after trading hour), Ningxia Deliheng Oil and Gas Technology Service Company Ltd.* (寧夏德力恒油氣技術服務有限公司) (''**Ningxia Deliheng**'') and Beijing Huaye Jinquan Petroleum Energy Technology Development Company Limited, Yanchi Branch Company* (北京華燁金泉石油能源技術開發有限公司鹽池分公司) (''**Beijing Huaye**'') entered into the SL16-5-4 Well Agreement and the SL27 Well Agreement, pursuant to which Ningxia Deliheng agreed to provide drilling services of (i) an aggregate of 18 oil wells under the SL16-5-4 Well Agreement at the consideration of RMB225,536,750 and (ii) 1 oil well under the SL27 Well Agreement at the consideration of RMB8,486,219.50 for Beijing Huaye for the purpose of extraction of oil. The entering into of the same constitutes connected transactions on the part of the Company under Chapter 14A of the Listing Rules. The aforesaid agreements constitute connected transactions of the Company. On 11 February 2020, ordinary resolutions have been passed by the independent shareholders by way of poll. Please refer to the announcement of the Company dated 24 October 2019, 27 November 2019, 9 January 2020 and 11 February 2020 respectively, and the circular of the Company dated 22 January 2020. for further details.

On 7 August 2020 (after trading hour), the Company, Beijing Century and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and Beijing Century has agreed to acquire, the Equity Interest, and the Company has agreed to issue the Bond to the Vendor. The Sale and Purchase Agreement and the Bond constitute discloseable and connected transaction of the Company. Please refer to the announcement of the Company dated 7 August 2020 for further details.

As at the Latest Practicable Date, other than Mr. Chen who is deemed to have interests in the SL16-5-4 Well Agreement, the SL27 Well Agreement, the Sale and Purchase Agreement and the respective transactions contemplated thereunder by reason of his shareholding interests and directorship in the parties to the agreements abovementioned as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which would be significant in relation to the business of the Group.

8. MISCELLANEOUS

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

(b) The principal place of business of the Company in Hong Kong is situated at Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wan Chai, Hong Kong.

(c) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) The secretary of the Company is Mr. Zhou Chen, a member of The Association of Chartered Certified Accountants and the Institute of Singapore Chartered Accountants.

(e) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.) at the head office and principal place of business of the Company on any business day from the date of this circular until up to and including the date of the EGM:

(i) the memorandum of association and articles of association of the Company;

(ii) the Instrument;

(iii) the Supplemental Deed;

(iv) the Sale and Purchase Agreement;

(v) the letter from the Independent Board Committee, the text of which is set out on pages 36 to 37 of this circular;

(vi) the letter from Merdeka Corporate Finance Limited, the text of which is set out on pages 38 to 56 of this circular;

(vii) the written consent of Merdeka Corporate Finance Limited as referred to in the section headed "Qualification and consent of expert" in this appendix; and

(viii) this circular.

* *for identification purpose only*

金泰能源
JINTAINENGYUAN

JINTAI ENERGY HOLDINGS LIMITED

金泰能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the ''**Meeting**'') of Jintai Energy Holdings Limited (the ''**Company**'') will be held at Units 1302–1303, 13/F, Ruttonjee House, 11 Duddell Street, Central, Hong Kong on Friday, 23 October 2020 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTIONS

1. ''**THAT** subject to the fulfillment of the conditions as set out in the supplemental deed (the ''**Supplemental Deed**'') dated 16 July 2020 and entered into among the Company and QILU INTERNATIONAL FUNDS SPC (for the account and on behalf of ZHONGTAI DINGFENG CLASSIFIED FUND SP) in relation to the proposed alterations of terms of the convertible notes (the ''**Convertible Notes**'') in the principal amount of HK$110,952,907 (a copy of which has been produced to the Meeting and marked ''A'' and signed by the chairman of the Meeting for the purpose of identification),

   (a) the Supplemental Deed and all the transactions contemplated thereunder and all other matters in connection herewith and incidental thereto, be and are hereby approved, confirmed and ratified;

   (b) the Convertible Notes (as amended by the Supplemental Deed) be and are hereby approved and confirmed; and

   (c) the directors of the Company (the ''**Directors**'') be and are hereby granted a specific mandate to allot and issue such number of shares of the Company as may be required to be issued and allotted upon exercise of the conversion rights attached to the Convertible Notes (as amended by the Supplemental Deed) (the ''**Conversion Shares**'').''

2. "**THAT** subject to the fulfillment of the conditions as set out in the sale and purchase agreement dated 7 August 2020 and entered into among the Company, Chen Qiusan* (陳秋叁) and Beijing Century Energy Co., Ltd* (北京金寶世紀能源有限公司) (the "**Sale and Purchase Agreement**") (a copy of which has been produced to the Meeting and marked "B" and signed by the chairman of the Meeting for the purpose of identification) in relation to the acquisition of Lijin Shuntong Logistics Company Limited* (利津順通物流有限公司) and the issue of RMB23,481,678.65 5% bond due 2023 to Chen Qiusan (the "**Bond**"),

   (a) the Sale and Purchase Agreement and all the transactions contemplated thereunder and all other matters in connection herewith and incidental thereto, be and are hereby approved, confirmed and ratified;

   (b) the issue of the Bond be and is hereby approved and confirmed."

3. "**THAT** any Director(s) be and is/are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as he/they may in his/their discretion consider necessary, desirable or expedient to carry out and implement the Supplemental Deed, the Convertible Notes (as amended by the Supplemental Deed), the issue and allotment of the Conversion Shares, the Sale and Purchase Agreement, the Bond and all the transactions contemplated thereunder into full effect."

Yours faithfully,
For and on behalf of the Board
Jintai Energy Holdings Limited
Yuan Hongbing
Executive Director and Chief Executive Officer

Hong Kong, 8 October 2020

As at the date of this notice, the Company has three executive Directors, namely Mr. Chen Jinle (Chairman), Mr. Lin Caihuo and Mr. Yuan Hongbing (Chief Executive Officer), one non-executive Director, namely Mr. Wang Shoulei, and three independent non-executive Directors, namely, Mr. Tche Heng Hou Kevin, Mr. Gao Han and Mr. Mak Tin Sang.

* *For identification purpose only*

Notes:

1. Every shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a shareholder of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

3. In the case of a joint holding, any one of such persons may vote at the EGM, either in person or by proxy; but if more than one joint holders are present at the EGM in person or by proxy, the said person whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

4. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or certified copy of such power or authority must be delivered to the office of Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 5:00 a.m. and 9:00 a.m. on 23 October 2020, it will be proposed that the EGM will not be held on that day. An announcement will be made in such event.

7. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange, any vote of shareholders at a general meeting must be taken by poll. Accordingly, at the EGM, the chairman of the meeting will exercise his power under Article 66 of the Articles of Association of the Company to put each of the resolutions set out in this notice to be voted by way of poll.

8. The following precautionary measures will be taken by the Company for the Meeting to prevent the spread of coronavirus disease:

   — compulsory temperature checks

   — compulsory wearing of face masks

   — no provision of corporate gifts or refreshments

   Any person who does not comply with the precautionary measures may be denied entry into the Meeting venue. Shareholders are reminded that they may appoint the Chairman of the Meeting as their proxy to vote on the relevant resolution at the Meeting as an alternative to attending the Meeting in person.

9. For the purpose of identifying shareholders who are entitled to attend the extraordinary general meeting, the register of members of the Company will be closed from Tuesday, 20 October 2020 to Friday, 23 October 2020 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the extraordinary general meeting, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 19 October 2020.