

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Century Energy International Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Century Energy International Holdings Limited

百能國際能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

**(1) CONNECTED TRANSACTION IN RELATION
TO LOAN CAPITALISATION;
(2) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A notice convening the extraordinary general meeting of the Company to be held at R3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 20 February 2023 at 2:00 p.m. is set out on pages 40 to 42 of this circular. A form of proxy for use at the extraordinary general meeting 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 and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours (i.e. Saturday, 18 February 2023 at 2:00 p.m.) before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and delivery 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.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its posting and be posted on the website of the Company at www.chinaoilgangrans.com.

3 February 2023

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF
HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“BAINENG Holdings”	BAINENG Holdings Limited, a controlling Shareholder
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Century Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8132)
“Completion”	the completion of the subscription of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the third (3rd) Business Days after the date upon which all conditions in the Subscription Agreement has been fulfilled (or otherwise waived) (or such other date as the Company and Mr. Cheung may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve the Subscription Agreement, the Specific Mandate and the transactions contemplated under the Subscription Agreement in accordance with the GEM Listing Rules
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Indebted Amount”	all amount owing by the Company to Mr. Cheung under the Loan Agreement in the aggregate sum of approximately HK\$25.99 million, comprising an outstanding principal amount of the Loan of approximately HK\$25 million and accrued interest up to the Latest Practicable Date of approximately HK\$0.99 million
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Octal Capital Limited”	Octal Capital Limited, a licensed corporation under the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders (other than Mr. Cheung, BAINENG Holdings and their respective associates) who are not prohibited under the GEM Listing Rules from voting at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	30 January 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Loan”	the unsecured loan in the principal amount of approximately HK\$25 million advanced by Mr. Cheung to the Company in accordance with the terms and conditions of the Loan Agreement
“Loan Agreement”	the agreement dated 25 October 2022 entered into between the Company as the borrower and Mr. Cheung as the lender in relation to the Loan

DEFINITIONS

“Loan Capitalisation”	the subscription of the Subscription Shares by Mr. Cheung by capitalising part of the Indebted Amount
“Long Stop Date”	2 June 2023, being a date falling on the 6th month after the date of the execution of the Subscription Agreement or such later date as may be agreed between the Company and Mr. Cheung in writing
“Mr. Cheung”	Mr. Cheung Yip Sang, an executive Director
“PRC”	the People’s Republic of China and for the purpose of this announcement, exclude Hong Kong, Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.004 each of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Board to allot and issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 2 December 2022 entered into between the Company and Mr. Cheung in relation to the Loan Capitalisation
“Subscription Price”	the subscription price of HK\$0.15 per Subscription Share under the Subscription Agreement
“Subscription Share(s)”	161,000,000 new Shares to be allotted and issued by the Company to Mr. Cheung under the Subscription Agreement
“%”	per cent.

LETTER FROM THE BOARD



Century Energy International Holdings Limited

百能國際能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

Executive Directors:

Mr. Sun Jiusheng (*Vice Chairman*)

Mr. Cheung Yip Sang

Mr. Ma Shenyan

Mr. Li Dewen

Mr. Yeung Shing Wai

Non-executive Director:

Mr. Leung Wing Cheong Eric (*Chairman*)

Independent non-executive Directors:

Mr. Lim Haw Kuang

Mr. Lui Ho Ming Paul

Mr. Chu Kin Ming

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

Principal place of

business in Hong Kong:

Suite 2303, 23/F., Prudential Tower

The Gateway, Harbour City

Tsim Sha Tsui, Kowloon

Hong Kong

3 February 2023

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION
TO LOAN CAPITALISATION;
(2) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 December 2022 in respect of connected transaction in relation to loan capitalisation, and proposed issue of new shares under specific mandate. The purpose of this circular is to provide you with (i) details of the connected transaction in relation to loan capitalisation, (ii) the proposed issue of new shares under specific mandate, (iii) the letter from the Independent Board Committee with its

LETTER FROM THE BOARD

view on the Subscription Agreement, the proposed issue of new shares under specific mandate and the transactions contemplated thereunder, (iv) the letter from the Independent Financial Adviser with its advice on the terms of the Subscription Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders and (v) the notice of the EGM to be convened.

THE LOAN

Pursuant to the Loan Agreement, Mr. Cheung has provided the Loan to the Company with an interest rate of 15% per annum to support the Company's business and daily operation and to repay an advance from ultimate holding company. As at the Latest Practicable Date, the Indebted Amount owed by the Company to Mr. Cheung under the Loan Agreement is approximately HK\$25.99 million.

THE SUBSCRIPTION AGREEMENT

Date: 2 December 2022 (after trading hours of the Stock Exchange)

Parties:

- (i) the Company (as issuer); and
- (ii) Mr. Cheung (as subscriber)

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Cheung has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price. The consideration payable by Mr. Cheung under the Subscription Agreement shall be satisfied by capitalising part of the Indebted Amount in the sum of the consideration of the Subscription Shares of HK\$24,150,000 and the remaining portion of the Indebted Amount will be settled by the Group's internal resources.

Subscription Price

The Subscription Price represents:

- (i) a premium of approximately 7.14% over the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on 2 December 2022, being the date of the Subscription Agreement;
- (ii) the average of the closing prices of HK\$0.15 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 6.89% to the average closing price of approximately HK\$0.161 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately preceding the date of the Subscription Agreement;

LETTER FROM THE BOARD

- (iv) a premium of approximately 18,650% over the net asset value of the Company of approximately HK\$0.0008 per Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$2,004,000 as at 30 September 2022 as set out in the 2022 Interim Report and total number of issued Shares of 2,533,465,453 Shares as at the Latest Practicable Date; and
- (v) a discount of approximately 6.25% to the closing price of HK\$0.16 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Shares have an aggregate nominal value of HK\$644,000.

Subscription Shares

The Subscription Shares represent:

- (i) approximately 6.35% of the issues Shares of the Company as at the Latest Practicable Date; and
- (ii) approximately 5.98% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the total number of issued Shares between the Latest Practicable Date and the date of Completion).

Ranking of the Subscription Shares

The Subscription Shares when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue.

Conditions

Completion is conditional upon:

- (i) the passing of the resolutions by the Independent Shareholders in accordance with requirements under the GEM Listing Rules, the applicable laws of the Cayman Islands and the articles of association of the Company at the EGM to approve the Company to enter into and perform the Subscription Agreement, and the transactions contemplated under the Subscription Agreement, and the Specific Mandate to allot and issue the Subscription Shares;
- (ii) all necessary consents, licenses and approvals required by the Company in connection with the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, licenses and approvals required by Mr. Cheung in connection with the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) the representations and warranties made by the Company under the Subscription Agreement remain accurate, true and complete with in all material respects; and

LETTER FROM THE BOARD

- (v) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the relevant Subscription Shares, and such permission and listing not subsequently being revoked.

In the event that the above conditions are not fulfilled (or waived by the relevant party as the case may be) on or before the Long Stop Date (or such later date as may be agreed between the parties), then the Subscription Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any party in respect of any antecedent breach), and the parties shall be released and discharged from their respective obligations under the Subscription Agreement.

The Company may, at its absolute discretion, waive the condition set out above under (iii) by written notice to Mr. Cheung, and Mr. Cheung may, at his absolute discretion, waive condition (iv) by written notice to the Company.

Completion

Subject the fulfilment of the conditions above, the Completion shall take on the Completion Date.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of refined oil and chemicals business; and (ii) power and data cords business, in the United States and the PRC.

Mr. Cheung is an executive Director and the chief executive officer of the Company. Mr. Cheung also serves as the director of certain subsidiaries of the Company.

As at the Latest Practicable Date, BAINENG Holdings holds 1,501,078,281 Shares, representing approximately 59.25% of the issued Shares. Ms. Zhou Jing, the spouse of Mr. Cheung, holds approximately 29.68% of the issued shares of BAINENG Holdings.

REASONS FOR THE LOAN CAPITALISATION

As disclosed in the interim report of the Company for the six months ended 30 September 2022, the Company recorded a total liability and net assets of approximately HK\$134,089,000 and approximately HK\$8,176,000, respectively. As at the Latest Practicable Date, the Indebted Amount owed by the Company to Mr. Cheung was approximately HK\$25.99 million. As the interest rate of the Loan is 15% per annum, the annual financial costs of the Loan will be approximately HK\$3.8 million. Upon Completion, the Company shall save interest expenses of approximately HK\$3.6 million for the following year immediately after the Completion, and improve the Company's net asset position by approximately HK\$24.15 million, which will help to alleviate the loss making position of the Company and strengthen the Company's financial position.

LETTER FROM THE BOARD

In addition, the Loan will mature on 24 October 2023. The Company's bank balances and cash of approximately HK\$35,783,000 as at 30 September 2022 may be marginally sufficient to meet the repayment obligations in respect of the Loan on or before the maturity date with the existing financial resources of the Company. However, the Company may encounter potential liquidity problem if a significant portion of the Company's bank balances and cash will be used up in order to repay the Loan to Mr. Cheung at maturity.

As such, the Directors consider the Loan Capitalisation will: (i) ease the repayment pressure of the Loan and reduce the finance cost burden on the Group; (ii) lower the gearing ratio of the Group; (iii) retain the cash flow of the Group for its future business development; and (iv) strengthen the financial position and capital structure of the Group.

Further, the Directors have also considered the Subscription Price is at a premium of approximately 7.1% over the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement and at the average closing price of HK\$0.15 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Subscription Agreement. Accordingly, the issuance of the Subscription Shares would not cause any significant dilution in value of the Shares held by the Shareholders.

The Directors have considered alternative means for raising funds to settle the Indebted Amount, such as bank borrowings, share placement, rights issue or open offer. However, having taken into account that (i) debt financing and bank borrowings will generally require pledge of assets by the borrower; (ii) the capitalisation of part of the Indebted Amount under the Loan Capitalisation will reduce the gearing ratio of the Group; and (iii) other equity financing such as placing of Shares, rights issue and open offer usually require attractive discount to the current market price of the Shares and are relatively more time consuming and less cost effective as compared with the share subscription, the Directors consider that the Loan Capitalisation is the most feasible solution for the Group to settle part of the Indebted Amount.

Although the allotment and issue of the Subscription Shares may have a dilution effect to the shareholding of the existing Shareholders, having considered (i) the Subscription Price represents a premium over the market price of the Shares as of the date of the Subscription Agreement; (ii) the Company can be released from the pressure to satisfy a substantial portion of the Indebted Amount; and (iii) the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Company, the Directors are therefore of the view that the dilution effect arising from the allotment and issue of the Subscription Shares is justifiable in this regard.

LETTER FROM THE BOARD

In view of the above, the Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms or better and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

SPECIFIC MANDATE

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

APPLICATION FOR LISTING

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

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activity in the 12-month period immediately preceding the Latest Practicable Date.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, assuming that there is no other change in the Shares in issue between the Latest Practicable Date and the Completion Date:

	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Director				
Mr. Cheung	—	—	161,000,000	5.98%
Substantial Shareholders				
BAINENG Holdings (<i>Note 1</i>)	1,501,078,281	59.25%	1,501,078,281	55.71%
Richmax Investment (H.K.) Limited (<i>Note 2</i>)	326,247,014	12.88%	326,247,014	12.11%
New Origins International Limited (<i>Note 3</i>)	32,313,795	1.28%	32,313,795	1.20%
Sub-total	1,859,639,090	73.40%	2,020,639,090	74.99%
Public Shareholders	673,826,363	26.60%	673,826,363	25.01%
Total	2,533,465,453	100.00%	2,694,465,453	100.00%

LETTER FROM THE BOARD

Notes:

1. BAINENG Holdings is beneficially owned as to approximately 33.40% by Mr. Sun Jiusheng, approximately 29.68% by Ms. Zhou Jing, being the spouse of Mr. Cheung, approximately 18.57% by Mr. Zhang Chao, approximately 5.16% by Mr. Cheng Lianfu, approximately 2.58% by Mr. Zhou Xinhua and approximately 10.61% by Mr. Leung Wing Cheong Eric.
2. Richmax Investment (H.K.) Limited is beneficially owned as to approximately 46.67% by Mr. Chu David, approximately 40% by Mr. Cheung Yuen Chau, approximately 6.67% by Ms. Tsang Siu Lan and approximately 6.66% by Ms. Ip Tsang Katherine Man Tung.
3. New Origins International Limited is beneficially wholly owned by Ms. To Sau Man.

GEM LISTING RULES IMPLICATIONS

Mr. Cheung is an executive Director and therefore, Mr. Cheung is a connected person of the Company. Accordingly, the Loan Capitalisation constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to reporting, announcement, circular and the Independent Shareholders' approval requirements.

Given that Mr. Cheung has a material interest in the Loan Capitalisation, Mr. Cheung, BAINENG Holdings and their respective associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandate). Mr. Cheung, being the executive Director, had abstained from voting on the Board resolution(s) for approving the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription shares under the Specific Mandate).

EGM

The notice of the EGM is set out on pages 40 to 42 of this circular. A form of proxy for use at the EGM is enclosed with this circular. If you are unable to attend the EGM, you are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours (i.e. Saturday, 18 February 2023 at 2:00 p.m.) before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and delivery 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.

Voting at the EGM will be conducted by poll and Mr. Cheung, BAINENG Holdings and their respective associate shall abstain from voting on the proposed resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandate) at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Subscription Agreement and therefore no other Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 15 February 2023 to Monday, 20 February 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 February 2023.

RECOMMENDATIONS

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 12 to 13 in this circular which contains its recommendation to the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are: (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole, and how to vote on the Subscription Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 14 to 35 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms or better. As such, the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully
For and on behalf of the Board
Century Energy International Holdings Limited
Leung Wing Cheong Eric
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Subscription Agreement for inclusion in this circular.



Century Energy International Holdings Limited

百能國際能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

3 February 2023

To the Independent Shareholders

(1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION; AND (2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 3 February 2023 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms a part. The capitalised terms defined in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are: (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole, and how to vote on the Subscription Agreement and the transactions contemplated thereunder. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 11 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 14 to 35 of the Circular, both of which provide details of the terms of the Subscription Agreement and the transactions contemplated thereunder. After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and the terms of the Subscription Agreement is on normal commercial terms or better. Therefore, the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully
For and on behalf of
Independent Board Committee of
Century Energy International Holdings Limited

Mr. Lim Haw Kuang
Independent
non-executive Director

Mr. Lui Ho Ming Paul
Independent
non-executive Director

Mr. Chu Kin Ming
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Octal Capital Limited, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the connected transaction as contemplated under the Subscription Agreement, which has been prepared for the purpose of incorporation in this circular.



801–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

3 February 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION
TO LOAN CAPITALISATION;
AND
(2) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group to the Shareholders dated 3 February 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

With reference to the Letter from the Board, the Company and Mr. Cheung have entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Cheung has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price for a total consideration of HK\$24,150,000. The subscription amount payable by Mr. Cheung under the Subscription Agreement shall be satisfied by capitalising part of the Indebted Amount, in the sum of the consideration of the Subscription Shares of HK\$24,150,000.

Mr. Cheung is an executive Director and therefore Mr. Cheung is a connected person of the Company. Accordingly, the Loan Capitalisation constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to reporting, announcement, circular and the Independent Shareholders’ approval requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lim Haw Kuang, Mr. Lui Ho Ming Paul and Mr. Chu Kin Ming, has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are: (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the Subscription Agreement and the transactions contemplated thereunder at the EGM.

We, Octal Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. During the last two years, we were engaged by the Company as an independent financial adviser in respect of subscription of new shares and convertible bonds and we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders thereon. For details, please refer to the circular of the Company dated 19 March 2021. 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 any fees or benefits from the Group or the Directors, chief executive and substantial shareholders of the Group, or any of their respective associates. Accordingly, we are qualified to act as the Independent Financial Adviser pursuant to Rule 17.96 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on (i) the Company's annual reports for the year ended 31 March 2022 (the "**2022 Annual Report**") and 2021 (the "**2021 Annual Report**"), and the Company's interim report for the six months ended 30 September 2022 (the "**2022 Interim Report**"); (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; (iv) the information and facts contained or referred to in the Circular; and (v) our review of the relevant public information. We have also relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Group regarding the Subscription Agreement and the Loan Capitalisation, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Group in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to either suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Group. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Subscription Agreement and the Loan Capitalisation, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in (i) trading of refined oil and chemicals (including natural gas); and (ii) manufacture and sales of power and data cords. The Company has been suspended for trading since 2 July 2019 but resumed on 28 June 2021, with the implementation of creditors' schemes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 March 2021 (“**FY2020/21**”) and 2022 (“**FY2021/22**”) as extracted from the 2022 Annual Report, and for the six months ended 30 September 2021 (“**HY2021**”) and 30 September 2022 (“**HY2022**”) as extracted from the 2022 Interim Report.

(a) Financial performance of the Group

<i>HK\$'000</i>	FY2020/21 <i>(audited)^{Note}</i>	FY2021/22 <i>(audited)^{Note}</i>	HY2021 <i>(unaudited)</i>	HY2022 <i>(unaudited)</i>
Revenue				
— Trading of refined oil and chemicals (including natural gas)	—	—	—	126,310
— manufacture and sales of power and data cords and inlet sockets and medical control devices	<i>110,671</i>	<i>56,605</i>	<i>30,406</i>	<i>23,218</i>
Total revenue	110,671	56,605	30,406	149,528
Gross profit	19,242	17,583	9,751	8,790
<i>Gross profit margin</i>	17.4%	31.1%	32.1%	5.9%
Loss from operations	(16,742)	(38,294)	(10,668)	(5,929)
Gain on debt restructuring	—	140,906	140,906	—
Other gains	288	3,994	3,994	—
Finance costs	<i>(16,191)</i>	<i>(5,174)</i>	<i>(3,018)</i>	<i>(3,136)</i>
(Loss)/profit before taxation	(32,645)	101,432	131,214	(9,065)
(Loss)/profit attributable to owners of the Company	<i>(37,987)</i>	<i>104,744</i>	<i>129,789</i>	<i>(10,804)</i>

Note: Disclaimer and qualified opinions were issued by the auditors for FY2020/21 and FY2021/22 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2020/21 and FY2021/22

Revenue of the Group decreased by approximately 48.9% from approximately HK\$110.7 million for FY2020/21 to approximately HK\$56.6 million for FY2021/22. Such decrease was mainly because of the decline in demands and sales of the headsets for adults and kids, and hospital room control hub, demand of which was high at the initial outbreak of the COVID-19 pandemic in 2020. On the other hand, revenue generated from power and data cords for mobile phones and from medical control devices decreased by approximately 51.4% and 55.1% respectively for FY2021/22, despite being partially offset by the increase of revenue from power cords and inlet sockets for household electric appliances by approximately 51.1%.

Revenue of the Group is mainly derived from two product lines in FY2021/22, namely (i) the manufacture and sales of power and data cords for mobile handsets and personal care products of approximately HK\$27.8 million (FY2020/21: approximately HK\$57.2 million) and (ii) the sale of medical control devices of approximately HK\$22.0 million (FY2020/21: approximately HK\$49.0 million), in aggregate contributing approximately 88% of total revenue of the Group. The gross profit of the Group decreased from HK\$19.2 million in FY2020/21 to HK\$17.6 million in FY2021/22 due to the significant reduction in the revenue. The gross profit margin of the Group increased from approximately 17.4% for FY2020/21 to approximately 31.1% for FY2021/22. The improvement in gross profit margin is mainly attributable to the sales of power cords and inlet sockets for household electric appliances which have higher gross profit margin.

The Group recorded a loss before taxation of approximately HK\$32.6 million for FY2020/21 and a profit before taxation of approximately HK\$101.4 million for FY2021/22 mainly due to the gain on debt restructuring of approximately HK\$140.9 million arising from the scheme of arrangement entered into between the Company and its creditors under the Group's restructuring. Excluding the one-off gain on debt restructuring, the Group recorded a loss before taxation of approximately HK\$39.5 million, due to the increase in operating expenses during FY2021/22.

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Comparison between HY2021 and HY2022

Revenue of the Group increased by approximately 391.8% from approximately HK\$30.4 million for HY2021 to approximately HK\$149.5 million for HY2022. Such increase was mainly due to the resumption of trading of refined oil and chemicals (including natural gas), which contributed approximately HK\$126.3 million of revenue to the Group, representing approximately 84.5% of the Group's revenue for HY2022. Such increase offset the decrease in revenue of power and data cords from approximately HK\$30.4 million for HY2021 to approximately HK\$23.2 million for HY2022, which was mainly caused by the increased competition and popularity of multi-functional cables, resulting in a decreased demand for traditional cables.

The gross profit of the Group decreased from approximately HK\$9.8 million for HY2021 to approximately HK\$8.8 million for HY2022, representing a decline of approximately 9.9%. The gross profit margin of the Group declined from approximately 32.1% for HY2021 to approximately 5.9% for HY2022, which was due to the lower profitability of trading of refined oil and chemicals, which accounted for the major portion of the Group's revenue for HY2022.

The Group's loss before taxation was approximately HK\$9.1 million for HY2022 as compared to a profit before taxation of approximately HK\$131.2 million for HY2021 due to the absence of the one-off gain on debt restructuring of approximately HK\$140.9 million arising from the scheme of arrangement entered into between the Company and its creditors under the Group's restructuring. If the one-off gain on debt restructuring is deducted, the loss before taxation for HY2021 would become approximately HK\$9.7 million, and thus the Group's loss before taxation for HY2022 would represent a decrease of approximately 6.2%, which is mainly due to the decline of operating expenses throughout the period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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(b) Financial position of the Group

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)
Non-current assets	
Property, plant and equipment (“PPE”)	20,558
Right-of-use assets	4,524
Prepayment for acquisition of PPE	105
	25,187
Current assets	
Inventories	4,483
Trade and other receivables	76,812
Cash and bank balances	35,783
	117,078
Total assets	142,265
Non-current liabilities	
Borrowings	27,464
Lease liabilities	2,716
Deferred tax liabilities	38
	30,218
Current liabilities	
Trade and other payables	68,637
Borrowings	26,971
Lease liabilities	769
Tax payables	7,494
	103,871
Total liabilities	134,089
Net assets	8,176
Gearing ratio <i>Note</i>	13.1%

Note: Being the aggregate amount of borrowings less cash and bank balances divided by total assets

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Total assets of the Group amounted to approximately HK\$142.3 million as at 30 September 2022, which mainly comprised of (i) trade and other receivables of approximately HK\$76.8 million, representing approximately 54.0% of the total assets; (ii) cash and bank balance of approximately HK\$35.8 million, representing approximately 25.2% of the total assets and a majority of cash was deposited in the PRC banks for supporting the operation in the PRC; and (iii) PPE of approximately HK\$20.6 million, representing approximately 14.5% of the total assets.

Total liabilities of the Group amounted to approximately HK\$134.1 million, which mainly comprised of (i) trade and other payables of approximately HK\$68.6 million, representing approximately 51.2% of the total liabilities; and (ii) borrowings of approximately HK\$54.4 million, representing approximately 40.6% of the total liabilities.

(c) Prospects of the Group

In view of the increased competition, in particular, the traditional cables have been replaced by the newly emerged multi-functional cables, the Group saw a downtrend in its power and data cords business. In order to boost up the Group's revenue and profitability, the Group has been actively exploring opportunities to expand its business into other segments while maintaining the operation of its existing businesses.

In the context of the guidance under “the Goals of Carbon Dioxide Peaking and Carbon Neutrality” (碳達峰碳中和目標) and “the 14th Five-Year Plan” on the development of natural gas industry, natural gas is one of the clean energy industries whose development has been heavily supported by the Chinese government in recent years, bringing huge potentials and opportunities to the natural gas industry. In China, domestic demand for natural gas also grew rapidly in view of “carbon neutrality” (碳中和) and “coal-to-gas conversion” (煤改氣) goals. According to the statistics from a scientific survey of National Energy Administration, it is estimated that China's natural gas consumption will exceed 430 billion cubic meters in 2025 and total consumption will exceed 550 billion cubic meters in 2030. Therefore, it is expected that domestic natural gas business in the PRC will still be in the growth stage in long term.

In response to the Chinese government's commitment to realise carbon peaking in 2030 and carbon neutrality by 2060, the Group has been making effort to conform to such initiatives by taking part in the clean energy business aligning with the corporate mission to “Benefit People's Livelihood with Clean Energy and Technology and Innovation”. It has recently been focusing on the development of clean energy industrial chain and aiming to create synergy by applying the research and development results of frontier technology on quality projects in China and overseas countries.

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As mentioned in the 2022 Annual Report, the Group has been actively exploring opportunities in the clean energy segment as well as business opportunities in relation to the operation in liquefied natural gas. On 22 November 2022, Baineng (Tianjin) Energy Trading Co., Limited (which is a wholly-owned subsidiary of the Company) and Dongguan Daosheng Natural Gas Co., Limited entered into a joint venture agreement, pursuant to which a joint venture company will be established in Shenzhen for a term of 30 years to develop the trading of natural gas/liquefied natural gas in the PRC. The proposed joint venture company will be owned as to 65% by Baineng (Tianjin) Energy Trading Co., Limited and will be consolidated in the financial statement of the Company.

Looking ahead, the Group will continue to seek business opportunities to further develop its energy business by investing in or acquiring companies currently engaging in the energy business, or by submitting tenders or quotations for energy projects. The Directors believe that such strategy will enable the Group to capitalise its experience and strengthen its energy business, which in turn will allow the Group to achieve a sustainable growth and maximise returns for the Shareholders.

2. Background information of the subscriber of the Subscription Agreement

Mr. Cheung has been an executive Director and the chief executive officer of the Company since 4 October 2021. Mr. Cheung also serves as the director of certain subsidiaries of the Company.

3. Reasons and benefits for the Loan Capitalisation

3.1 Background of the Loan

As disclosed in the Letter from the Board, Mr. Cheung advanced an unsecured loan amounting to approximately HK\$25 million to the Company under the Loan Agreement with interest rate of 15% per annum for a term of 12 months from 25 October 2022 to 24 October 2023. The Loan is used to support the Company's business and daily operation and to repay an advance from the ultimate holding company.

As at 2 December 2022, the total amount, comprising the principal of the Loan and the accrued interests for the period from 25 October 2022 to 2 December 2022, due to Mr. Cheung by the Company was approximately HK\$25.38 million. As at the Latest Practicable Date, the Indebted Amount is approximately HK\$25.99 million, due to the increase in the accrued interests. According to the Loan Agreement, the Company shall pay the principal amount and interests of the Loan upon its maturity with an estimated cash outflow of approximately HK\$28.7 million on 24 October 2023.

3.2 Reasons for the Loan Capitalisation

Historical financial performance of the Group

With reference to the circular of the Company dated 19 March 2021, the trading of the Shares had been suspended since 2 July 2019 and the Company conducted the debt restructuring and fund-raising exercises to rescue the Company. The Company resumed the trading of the Shares on 28 June 2021. After the debt issues of the Company were resolved in June 2021, the Company not only continues its power and data cord and general trading business but also explore new business opportunities in the clean energy sector. During HY2022, the Company has also resumed the business in the trading of refined oil and chemical business which generated HK\$126.3 million of revenue and segment margin of HK\$380,000, the scale of which insufficient to turn around the Group from a loss-making position. During HY2022, the Group recorded a loss before taxation of approximately HK\$9.1 million.

Meanwhile, interest rates of the Company's borrowings are in the range between 4.5% and 15% which indicates a heavy interest burden on servicing the debts since the resumption of trading of the Shares. As disclosed in the 2022 Interim Report, as at 30 September 2022, the Group recorded total borrowings of approximately HK\$54.4 million, among which approximately HK\$27.0 million will be repayable within one year. The gearing ratio of the Group as at 30 September 2022 was 13.1%. The relevant finance cost for HY2022 was approximately HK\$3.1 million, representing approximately 35.8% of the Group's gross profit. As at 30 September 2022, the Group pledged a building in the PRC and 51% equity interest in one of the Company's subsidiaries as collaterals for the Group's secured bank borrowings. As advised by the Company, the Group had no further suitable assets available to be pledged as collateral, and the Group had unutilised bank facilities of approximately HK\$3 million which are mainly used for supporting the trading of refined oil and chemicals, including trading of natural gas.

The Board considers that the profitability and financial position of the Company could be improved by reducing the Group's leverage and settling a portion of borrowings in advance. However, according to the Company, under the relevant loan agreement, early repayment of bank borrowings would cause the Company to be subject to penalty charges, which are not considered ideal to the Company. On the other hand, the Loan Agreement does not include any penalty of such kind. In addition, considering the annual interest expense for the Loan of approximately HK\$1.9 million which accounted for approximately 21.3% of the Group's gross profit for HY2022, indicating a heavy interest burden to the Group. Moreover, upon the maturity of the Loan, the Company

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estimated the cash outflow for repayment of the Loan and the accrued interests to be approximately HK\$28.7 million. As disclosed in the 2022 Interim Report, the Company's bank balances and cash was approximately HK\$35.8 million as at 30 September 2022 and the net cash inflow from operating activities for HY2022 was approximately HK\$9.9 million. Based on the latest cash flow position and recent financial performance without new fundraising, settlement of the Loan and interests with its own internal cash resources at maturity in October 2023 would adversely impact the Group's liquidity. Upon completion of the Loan Capitalisation, the Group's leverage is substantially reduced by HK\$24,150,000 (from the Group's total borrowings of approximately HK\$54.4 million as at 30 September 2022). The remaining portion of the Indebted Amount will be settled by the Group's internal resources.

The Group recorded a loss before taxation of approximately HK\$9.1 million during HY2022 and the net asset value of the Group was approximately HK\$8.2 million as at 30 September 2022. If the Loan is not capitalised and there is no improvement in the profitability of the Group during the upcoming months, the Group may potentially face liquidity issue after repaying the Loan upon its maturity.

As such, the Company considers that the Loan Capitalisation is the most feasible solution to resolve the settlement of a majority of the Indebted Amount without incurring any cash outlays. The Loan Capitalisation can also reduce the Group's finance cost burden and improve net asset position.

Alternative financing methods

As disclosed in the Letter from the Board, the Group has considered alternative fund-raising methods, including but not limited to bank borrowings, share placement, rights issue or open offer before resolving to the Subscription.

In respect of debt financing, the Company has approached its principal banks for exploring possibility of new bank borrowings. However, all of them either requested valuable assets as collaterals or charge high interests for unsecured bank borrowings which the Board considers contrary to the Group's intention to reduce its interest burden. As at 30 September 2022, the Group's PPE amounted to approximately HK\$20.6 million of which a building with carrying amount of approximately HK\$8.6 million have been pledged for bank loan. Without any suitable asset available for pledge as required for bank borrowings, debt financing is not considered as a viable fundraising option.

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In respect of equity financing, the Board considers that neither rights issue nor open offer is feasible as those generally require considerable discount to the current market price of the Shares and are not as time and cost effective as the Loan Capitalisation. Moreover, rights issue and open offer usually require an underwriter to take up the unsubscribed shares in order to have a higher certainty to raise sufficient proceeds to settle the Loan. The Company has approached two underwriters to explore the cost and feasibility to conduct rights issue and open offer. However, the underwriters either refused to participate in these exercises or requested a high underwriting commission in view of the current market condition. The Board considered it to be contrary to the Company's initial objective of fundraising at minimal cost.

On the other hand, the Loan Capitalisation could (i) settle substantial part of the Loan due to Mr. Cheung without incurring any cash outlays; (ii) improve substantially the net asset position of the Group; and (iii) demonstrate Mr. Cheung's commitment and confidence in the Group's future development. In addition, the Subscription Price does not represent any significant discount to the recent closing price of the Shares (as to be illustrated in the later section), and thus will not lead to significant dilution in the shareholding interest of the existing Shareholders (as to be illustrated in the later section).

Having considered the above, we concur with the Directors that the Loan Capitalisation is the most feasible way to achieve potential interest cost saving and improve the net asset position of the Company without causing any material dilution in the shareholding interest of the existing Shareholders. We therefore are of the view that it is commercially justifiable for the Group to enter into the Subscription Agreement and is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are summarised as below.

Date: 2 December 2022 (after trading hours of the Stock Exchange)

Parties: (i) the Company (as issuer); and
(ii) Mr. Cheung (as subscriber)

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Cheung has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price. The consideration payable by Mr. Cheung under the Subscription Agreement shall be satisfied by capitalising part of the Indebted Amount in the sum of the consideration of the Subscription Shares of HK\$24,150,000 and the remaining portion of the Indebted Amount will be settled by the Group's internal resources.

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Subscription Shares

The Subscription Shares represent:

- (i) approximately 6.35% of the issues Shares of the Company as at the Latest Practicable Date; and
- (ii) approximately 5.98% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the total number of issued Shares between the Latest Practicable Date and the date of Completion).

Ranking of the Subscription Shares

The Subscription Shares when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue.

Details of the Subscription Agreement are set out in the Letter from the Board.

Subscription Price

The Subscription Price of HK\$0.15 represents:

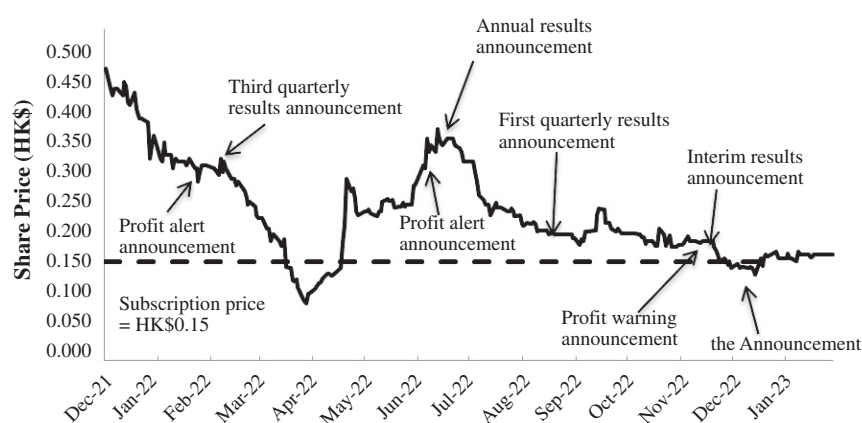
- (i) a premium of approximately 7.14% over the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on 2 December 2022, being the date of the Subscription Agreement (the “**Last Trading Day**”);
- (ii) the average closing price of approximately HK\$0.15 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the Last Trading Day;
- (iii) a discount of approximately 6.89% to the average closing price of approximately HK\$0.161 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately preceding the Last Trading Day;
- (iv) a premium of approximately 18,650% over the net asset value of the Company of approximately HK\$0.0008 per Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$2,004,000 as at 30 September 2022 as set out in the 2022 Interim Report and total number of issued Shares of 2,533,465,453 Shares as at the Latest Practicable Date; and
- (v) a discount of approximately 6.25% to the closing price of HK\$0.16 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 1 December 2021 up to and including the Latest Practicable Date (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is an adequate period covering the annual operating cycle of the Company for analysis purpose, to illustrate the general trend and level of movement of the daily closing price and trading volume of the Shares and the Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

Share price performance



Source: Infocast and the Stock Exchange

As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.224 per Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.087 per Share (the “**Lowest Closing Price**”) recorded on 30 March 2022 to HK\$0.44 (the “**Highest Closing Price**”) recorded on 3 December 2021. The Subscription Price of HK\$0.15 represents (i) a premium of approximately 72.4% to the Lowest Closing Price; (ii) a discount of approximately 65.9% to the Highest Closing Price; and (iii) a discount of approximately 33.0% to the Average Closing Price.

There was a downward trend from the early-December 2021 to late-March 2022. The closing price of the Shares decreased from the Highest Closing Price at the beginning of the Review Period to the Lowest Closing Price on 30 March 2022, despite there was a profit alert announcement published on 28 January 2022 in relation to the Group’s financial performance for the nine months ended 31 December 2021. After reaching the Lowest Closing Price, the closing price of the

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Shares rebounded and exhibited an upward trend until 14 June 2022, being the day after the profit alert announcement in relation to the Group's financial performance for FY2021/22 published on 13 June 2022. Subsequently, the closing price of the Shares demonstrated a downward trend again until the end of the Review Period.

Historical trading liquidity of the Shares

Month	Total volume of Shares traded (Shares)	Number of trading days (days)	Approximate average daily trading volume of the Shares (Shares)	Approximate percentage of average daily trading volume to the total number of issued Shares held by public Shareholders (Note)
2021				
December	17,964,750	20	898,238	0.133%
2022				
January	11,394,500	21	542,595	0.081%
February	5,178,500	17	304,618	0.045%
March	69,958,559	23	3,041,676	0.451%
April	98,420,126	18	5,467,785	0.811%
May	24,359,762	20	1,217,988	0.181%
June	24,726,500	21	1,177,452	0.175%
July	7,537,000	20	376,850	0.056%
August	5,017,104	23	218,135	0.032%
September	8,246,366	21	392,684	0.058%
October	8,144,000	20	407,200	0.060%
November	10,656,169	22	484,371	0.072%
December	21,766,792	20	1,088,340	0.162%
2023				
January (up to the Latest Practicable Date)	6,820,500	17	401,206	0.060%

Source: Infocast and the Stock Exchange

Note: The number of Shares held by public Shareholders is calculated by deducting the Shares held by BAINENG Holdings Limited, Richmax Investment (H.K.) Limited and New Origins International Limited from the number of total issued Shares as at each month or period end.

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As shown in the table above, the average daily trading volume of the Shares was relatively higher from March 2022 to June 2022. We noted from the Disclosure of Interests forms that the scheme company (i.e. Grand Strong Investment Limited) disposed 12,290,000 ordinary shares during the period from 18 March 2022 to 31 March 2022 and 26,320,000 ordinary shares during the period from 1 April 2022 to 7 April 2022 pursuant to the terms of the Scheme. These transactions led to a higher trading volume of the Shares in March and April 2022. As advised by the Company, they did not identify any reasons for the higher trading volume in May and June 2022. We further reviewed the daily trading volume of Shares which are relatively higher following the publication of the announcement of the Company dated 2 December 2022 and we considered that such higher trading volume of Shares is related to the investors' positive expectation regarding the Subscription Agreement and such trading performance may be due to market speculation. Furthermore, during the period from 3 January 2023 to the Latest Practicable Date, the average trading volume of Shares has dropped materially as compared to that of December 2022.

Apart from the periods between March 2022 and June 2022, and December 2022, the average daily trading volume per months for the remaining nine months of the Review Period ranged from 218,135 Shares in August 2022 to 898,238 Shares in December 2021, representing 0.032% to 0.133% of the total number of issued Shares held by public Shareholders as at the end of the relevant months, respectively, indicating a thin trading liquidity in general.

Excluding the trading volume of Shares during March 2022 to June 2022 and December 2022, we noticed that the average number of trading shares during the remaining period of the Review Period is around 447,287 Shares. Given such thin liquidity of the Shares during majority of the Review Period, it would be difficult for the Shareholders to trade a substantial block of the Shares in the open market without exerting a significant impact on the Share price unless the trading volume of the Shares are able to keep at a similar trading level of March 2022 to June 2022 and December 2022 for a longer time frame. We are of the view that although there were five months with comparatively higher trading volume but the other nine months demonstrated a relatively low trading volume, this relatively thin liquidity indicates that the potential investors may lack interests to invest in the Company, and if the Company tried to pursue fund raising exercise, the response from the public shareholders may not be appealing.

In view of the above, we consider that the closing prices and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group and it is fair and reasonable for the Company to determine the Subscription Price with reference to the prevailing market conditions (which is analysed below).

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Comparison with recent share subscription transactions

In order to further assess the fairness and reasonableness of the terms of the Subscription Agreement, we have identified transactions which are (i) share subscription and placing of shares under specific mandates; (ii) conducted by the listed companies which are not subject to prolonged suspension of trading; and (iii) announced during the period from 1 September 2022 to the Last Trading Day (the “**Comparables Review Period**”). Based on these criteria, 12 transactions (the “**Comparables**”) have been identified. The Comparables Review Period, covering a time frame of the latest three months before the Announcement, has captured the latest market practice, market conditions and sentiments. Moreover, we consider that the 12 transactions within the Comparables Review Period is a sufficient sample size to be one of the references for assessing the reasonableness of the Subscription Price.

We believe that a three-month period for the selection of the Comparables is adequate to understand the prevailing market conditions of companies listed on the Stock Exchange. Based on the selection criteria, the Comparables represent an exhaustive list with reasonable samples size, and thus we consider that the Comparables represent a true and fair view of the recent market trend for similar subscription or placing of shares conducted by other issuers listed on the Stock Exchange. It should be noted that the purposes of the Comparables might be different from that of the Subscription Agreement, and the issuers of the Comparables might have different principal activities, market capitalisation, profitability and financial position as compared to those of the Company, while these Comparables could provide a reference of the pricing of subscription shares or placing shares under recent market environment and we consider them as an appropriate basis in assessing the reasonableness of the Subscription Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the details of the Comparables:

Date of announcement	Company Name	Stock Code	Premium/(discount) of subscription price over/(to) the average closing price of the last trading day/the date of relevant announcement or agreement %	Premium/(discount) of subscription price over/(to) the average closing price of last 5 consecutive trading days prior to/including the date of relevant announcement or agreement %	Premium/(discount) of subscription price over/(to) the average closing price of last 10 consecutive trading days prior to/including the date of relevant announcement or agreement %	Premium/(discount) of subscription price over/(to) the average closing price of last 30 consecutive trading days prior to/including the date of relevant announcement or agreement %
2022						
25 November	Value Convergence Holdings Limited	821	(0.43)	(0.18)	0.00	(4.15)
21 November	First Service Holding Limited	2107	7.94	3.98	2.56	0.54
18 November	Anchorstone Holdings Limited	1592	(1.50)	(5.00)	(7.80)	(5.57)
18 October	China Titan Energy Technology Group Co., Limited	2188	3.03	5.92	4.62	6.97
30 September	China CBM Group Company Limited	8270	0.48	0.00	0.00	6.22
29 September	HG Semiconductor Limited	6908	(22.28)	(23.47)	(22.58)	(24.66)
27 September	Oriental Payment Group Holdings Limited	8613	(18.18)	(18.18)	(20.28)	(23.21)
26 September	Beijing Gas Blue Sky Holdings Limited	6828	(23.81)	(28.19)	(30.97)	(30.35)
2 September	Cornerstone Technologies Holdings Limited	8391	5.08	(2.82)	(5.05)	(10.53)
1 September	BOE Varrtronix Limited	710	(7.20)	(11.85)	(14.10)	(15.27)
1 September	Suoxinda Holdings Limited	3680	(19.60)	(6.00)	(0.38)	(8.39)
	Maximum		7.94	5.92	4.62	6.97
	Minimum		(23.81)	(28.19)	(30.97)	(30.35)
	Median		(1.50)	(5.00)	(5.05)	(8.39)
	Average		(6.95)	(7.80)	(8.54)	(9.85)
	Company		7.14%	0.00%	(6.89%)	(13.73%)
Outlier						
13 September	Link-Asia International MedTech Group Limited	1143	78.40	78.40	78.40	84.95

Source: Infocast and the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the table above, we noted that there is one outlier from 12 Comparables that had a subscription price representing an extremely high premium over (i) its closing price per share on the last trading day/the date of the relevant announcement or agreement; and (ii) the average closing price of last five/ten/thirty consecutive trading days prior to the date of the relevant announcement or agreement as compared to the rest of the Comparables and it is considered to skew the overall result. The subscription prices of the Comparables (excluding the outlier):

- (i) ranged from a discount of approximately 23.81% to a premium of approximately 7.94%, with a median of a discount of approximately 1.50% and an average of a discount of approximately 6.95%, to/over their respective closing prices on the last trading day/the date of the relevant announcement or agreement;
- (ii) ranged from a discount of approximately 28.19% to a premium of approximately 5.92%, with a median of a discount of approximately 5.00% and an average of a discount of approximately 7.80%, to/over their respective average closing prices of last five consecutive trading days prior to/including the date of the relevant announcement or agreement;
- (iii) ranged from a discount of approximately 30.97% to a premium of approximately 4.62%, with a median of a discount of approximately 5.05% and an average of a discount of approximately 8.54% to/over their respective average closing prices of last ten consecutive trading days prior to/including the date of the relevant announcement or agreement; and
- (iv) ranged from a discount of approximately 30.35% to a premium of approximately 6.97%, with a median of a discount of approximately 8.39% and an average of a discount of approximately 9.85% to/over their respective average closing prices of last thirty consecutive trading days prior/including to the date of the relevant announcement or agreement.

Having considered that the discounts/premiums of the Subscription Price to/over the closing price per Share on the Last Trading Day, the average closing prices per Share for the five, ten, thirty consecutive trading days prior to the Last Trading Day are within the range of those of the Comparables (excluding the outlier), we are of the view that the Subscription Price is justifiable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Dilution effect of the Loan Capitalisation on the shareholding of the Company

The table below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion, assuming that there is no other change in the Shares in issue between the Latest Practicable Date and the Completion Date:

<i>Shareholders</i>	As at the Latest Practicable Date		Immediately after the Completion	
	<i>Number of Shares held</i>	<i>%</i>	<i>Number of Shares held</i>	<i>%</i>
Director				
Mr. Cheung	—	—	161,000,000	5.98%
Substantial Shareholders				
BAINENG Holdings (<i>Note 1</i>)	1,501,078,281	59.25%	1,501,078,281	55.71%
Richmax Investment (H.K.) Limited (<i>Note 2</i>)	326,247,014	12.88%	326,247,014	12.11%
New Origins International Limited (<i>Note 3</i>)	32,313,795	1.28%	32,313,795	1.20%
Sub-total	1,859,639,090	73.40%	2,020,639,090	74.99%
Public Shareholders	673,826,363	26.60%	673,826,363	25.01%
Total	2,533,465,453	100.00%	2,694,465,453	100.00%

Notes:

1. BAINENG Holdings is beneficially owned as to approximately 33.40% by Mr. Sun Jiusheng, approximately 29.68% by Ms. Zhou Jing, being the spouse of Mr. Cheung, approximately 18.57% by Mr. Zhang Chao, approximately 5.16% by Mr. Cheng Lianfu, approximately 2.58% by Mr. Zhou Xinhua and approximately 10.61% by Mr. Leung Wing Cheong Eric.
2. Richmax Investment (H.K.) Limited is beneficially owned as to approximately 46.67% by Mr. Chu David, approximately 40.00% by Mr. Cheung Yuen Chau, approximately 6.67% by Ms. Tsang Siu Lan and approximately 6.66% by Ms. Ip Tsang Katherine Man Tung.
3. New Origins International Limited is beneficially wholly owned by Ms. To Sau Man

We note that upon the Completion, the shareholding interest of the existing public Shareholders would be slightly diluted from 26.60% to 25.01% of the total number of issued Shares immediately before and after the Completion respectively. Having considered that (i) the dilution effect is rather insignificant; (ii) the reasons and benefits for the Loan Capitalisation as discussed above; and (iii) the positive impact on the financial position of the Group as a result of the Loan Capitalisation as detailed in paragraph headed “6. Possible Financial Effect of the Loan Capitalisation” below, we are of the view that the dilution effect on the shareholding is acceptable.

6. Possible Financial Effect of the Loan Capitalisation

Earnings

Upon completion of the Loan Capitalisation, the Company would no longer be required to pay interests of 15% per annum on the Loan. The Group's interest expense would be decreased significantly and would improve the earnings of the Group.

Net asset value

Upon completion of the Subscription, the subscription amount payable by Mr. Cheung under the Subscription Agreement shall be satisfied by capitalising part of the Indebted Amount of approximately HK\$24.15 million. Upon the completion of the Loan Capitalisation, the net asset value of the Group would be increased by approximately HK\$24.15 million.

Gearing ratio

The gearing ratio (measured by the aggregate amount of borrowings less cash and bank balances divided by total assets) of the Group as at 30 September 2022 was approximately 13.1%. Upon completion of the Loan Capitalisation, total borrowings will be reduced by HK\$24.15 million and the gearing ratio will be improved.

The analysis is for illustrative purpose only and does not purport to represent how the financial performance and position of the Group will become upon completion of the Loan Capitalisation.

OPINION AND RECOMMENDATIONS

Notwithstanding that the Loan Capitalisation will incur some minor dilution effect on the shareholding of the existing public Shareholders upon completion of the Loan Capitalisation, after taking into account:

- (i) the loss-making performance of the Group for FY2020/21, FY2021/22 and HY2022, and the substantial cash outflow upon maturity of the Loan;
- (ii) the Loan Capitalisation is the most feasible way to settle a majority of the Indebted Amount without any cash outlay;
- (iii) the discounts/premiums of the Subscription Price to/over the closing price per Share on the Last Trading Day and the average closing prices per Share for the five, ten, thirty consecutive trading days prior to the Last Trading Day are either higher than or close to the average of those of the Comparables (excluding the outlier); and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the potential interest cost saving of approximately HK\$3.6 million so as to improve the Group's profitability and cash flow;

we are of the view that although the entering into the Subscription Agreement is not in the ordinary and usual course of the business of the Group, the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Octal Capital Limited

Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) 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 the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Mr. Leung Wing Cheong Eric (Note 1)	Interest of controlled corporation	Corporate interest	1,501,078,281	59.250%
	Interest held jointly with another parties	Corporate interest	358,560,809	14.153%
Mr. Cheung Yip Sang (Note 2)	Interest of spouse	Spouse interest	1,859,639,090	73.403%
Mr. Sun Jiusheng (Note 1)	Interest of controlled corporation	Corporate interest	1,501,078,281	59.250%
	Interest held jointly with another parties	Corporate interest	358,560,809	14.153%

Notes:

1. In accordance with the SFO, BAINENG Holdings has total interest in 1,859,639,090 Shares, of which 358,560,809 Shares are held by other parties acting in concert. BAINENG Holdings, the associated corporation of the Company, is beneficially owned as to 33.40% by Mr. Sun Jiusheng, 29.68% by Ms. Zhou Jing, 18.57% by Mr. Zhang Chao, 5.16% by Mr. Cheng Lianfu, 2.58% by Mr. Zhou Xinhua and 10.61% by Mr. Leung Wing Cheong Eric. Mr. Leung Wing Cheong Eric and Mr. Sun Jiusheng beneficially own 114,423 shares and 360,201 shares of BAINENG Holdings respectively. By virtue of the SFO, Mr. Leung Wing Cheong Eric and Mr. Sun Jiusheng are deemed to be interested in the Shares which BAINENG Holdings has interest in.
2. Mr. Cheung Yip Sang is the spouse of Ms. Zhou Jing. BAINENG Holdings, the associated corporation of the Company, is beneficially owned as to 29.68% by Ms. Zhou Jing who beneficially own 320,082 shares of BAINENG Holdings. By virtue of the SFO, Mr. Cheung Yip Sang is deemed to be interested in the Shares which BAINENG Holdings has interest in.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

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

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

5. OTHER INTEREST OF DIRECTORS

As at the Latest Practicable Date,

- (i) none of the Directors had any interest, directly or indirectly, in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2022, the date to which the latest published audited financial statements of the Group were made up; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant to the business of the Group.

6. MATERIAL ADVERSE CHANGE

As disclosed in the profit warning announcement dated 1 November 2022, the Group is expected to record a loss attributable to the owners of the Company of approximately HK\$11 million for the six months ended 30 September 2022, as compared with the profit attributable to the owners of the Company of approximately HK\$130 million for the corresponding period in 2021. The anticipated turnaround from profit to loss attributable to the owners of the Company during the six months ended 30 September 2022 was mainly attributable to the absence of the one-time significant gain on debt restructuring of approximately HK\$141 million arising from the scheme of arrangement entered into between the Company and its creditors in the corresponding period in 2021. If this one-time gain is deducted, the operating loss attributable to the owners of the Company was approximately HK\$11 million in both the six months ended 30 September 2022 and in the corresponding period in 2021. Save as the above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and/or advice, which is contained in this circular:

Name	Qualification
Octal Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Octal Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) and all references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Octal Capital Limited did not have any shareholding, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Octal Capital Limited did not have any interest, either direct or indirect, in any assets which had been acquired, disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENT ON DISPLAY

Copy of the following document will be available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.chinaoilgangrans.com/>) for a period of 14 days from the date of this circular:

- (a) the Subscription Agreement.

NOTICE OF EGM



Century Energy International Holdings Limited

百能國際能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Century Energy International Holdings Limited (the “**Company**”) will be held at R3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 20 February 2023 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 3 February 2023 (the “**Circular**”)):

ORDINARY RESOLUTION

1. “**THAT:**

- a. the Subscription Agreement dated 2 December 2022 (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company, as the issuer, and Mr. Cheung, as the subscriber, in relation to the subscription for 161,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- b. subject to the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in all of the Subscription Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares to Mr. Cheung in accordance with the terms and conditions of the Subscription Agreement; and
- c. any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Subscription Agreement and the transactions contemplated thereunder.”

By order of the Board
Century Energy International Holdings Limited
Leung Wing Cheong Eric
Chairman

Hong Kong, 3 February 2023

NOTICE OF EGM

Registered office:

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

Principal place of business in Hong Kong:

Suite 2303, 23/F., Prudential Tower
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

Notes:

1. The resolutions at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the GEM Listing Rules.
2. Any member of the Company (“**Member**”) entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the general meeting of the Company. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.
3. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours (i.e. Saturday, 18 February 2023 at 2:00 p.m.) before the time appointed for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof, should you so wish.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 15 February 2023 to Monday, 20 February 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 February 2023.
6. The record date for determining the entitlement of the Members to attend and vote at the Meeting will be Monday, 20 February 2023. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 14 February 2023.

NOTICE OF EGM

7. If tropical cyclone warning signal no. 8 or above is hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 10:00 a.m. on Monday, 20 February 2023, the meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.