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## **DISCLOSEABLE TRANSACTION PROVISION OF FINANCIAL ASSISTANCE**

### **THE RECEIVER'S BORROWINGS FACILITY AGREEMENT**

On 22 December 2017 (Alberta time, after trading hour), the Company's indirect wholly-owned subsidiary, Sonicfield and the Receiver entered into the Receiver's Borrowings Facility Agreement, pursuant to which Sonicfield conditionally agreed to provide the Receiver the Financing Facility for the Receiver's exercise of powers and duties as receiver of the Property. As at the date of this announcement, Sonicfield has already advanced Tranche A of the Financing Facility to the Receiver in accordance with the Receiver's Borrowings Facility Agreement.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect to the Financing Facility exceed 5% but not more than 25%, the provision of the Financing Facility constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the transaction shall be subject to notification and announcement requirements under the Listing Rules.

### **INTRODUCTION**

On 22 December 2017 (Alberta time, after trading hour), the Company's indirect wholly-owned subsidiary, Sonicfield and the Receiver entered into the Receiver's Borrowings Facility Agreement, pursuant to which Sonicfield conditionally agreed to provide the Receiver the Financing Facility for the Receiver's exercise of powers and duties as receiver of the Property. As at the date of this announcement, Sonicfield has already advanced Tranche A of the Financing Facility to the Receiver in accordance with the Receiver's Borrowings Facility Agreement.

## BACKGROUND

Pursuant to the Receivership Orders dated 24 January 2017 and 3 February 2017, the Receiver was appointed as the receiver of the Property. Under the Receivership Orders, the Receiver is empowered to borrow up to CAD\$10 million, secured by the Receiver's Borrowings Charge. The borrowing limit of the Receiver was increased to CAD\$15 million by the order of the Court dated 5 July 2017.

As at the date of this announcement, the Receiver has outstanding borrowings secured by the Receiver's Borrowings Charge from another lender in the amount of CAD\$10 million, plus accrued interest (the "**Existing Receiver's Borrowing**"). The Receiver has advised Sonicfield that it intends to seek an order from the Court on 8 January 2018 ("**January 8 Order**") increasing the borrowing limit from CAD\$15 million to CAD\$35 million, to pay all past, present and future costs and expenses of the receivership proceeding (including the Existing Receiver's Borrowing) to 30 May 2018.

## PRINCIPAL TERMS OF THE RECEIVER'S BORROWINGS FACILITY AGREEMENT

Principal terms of the Receiver's Borrowings Facility Agreement are set out below:

<b>Date</b>	22 December 2017 (Alberta time, after trading hour)
<b>Lender</b>	Sonicfield, an indirect wholly-owned subsidiary of the Company
<b>Borrower</b>	The Receiver solely in its capacity as receiver of the Property, and not in its personal or corporate capacity
<b>Facility</b>	Senior secured super-priority financing facility of up to the principal amount of CAD\$15 million and increasing to CAD\$35 million upon the granting of the January 8 Order (the " <b>Financing Facility</b> "), which comprises three tranches as follows:  (a) CAD\$15 million (" <b>Tranche A</b> "); (b) CAD\$4 million (" <b>Tranche B</b> "); and (c) CAD\$16 million (" <b>Tranche C</b> ").

As at the date of this announcement, Sonicfield has already advanced Tranche A to the Receiver.

<b>Availability conditions</b>	The obligation of Sonicfield to make the Financing Facility and any advance thereunder is subject to and conditional upon the satisfaction (or waiver thereof) of the following conditions, from time to time, as applicable:  (a) borrowings up to the limit of Tranche A shall only be available upon and after:
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- (i) execution of the Asset Purchase Agreement;
  - (ii) execution of the Restructuring Implementation Agreement; and
  - (iii) the Receiver having filed and served its application and supporting materials for the January 8 Order and the Sale Order;
- (b) borrowings up to the limit of Tranche B shall only be available upon and after:
- (i) the January 8 Order being granted by the Court;
- (c) borrowings up to the limit of Tranche C shall only be available upon and after:
- (i) the January 8 Order being granted by the Court;
  - (ii) Sonicfield approves the Approved Cash Flow Forecast relating to such borrowing; and
  - (iii) subsequent to the granting of the January 8 Order, the Receiver submits a specific borrowing request and Sonicfield approves such specific borrowing request;
- (d) Sonicfield shall be obligated to make borrowings under Tranche A or Tranche B or Tranche C, whenever requested, only if:
- (i) the Receiver's Borrowings Facility Agreement and, in respect of each advance, a Receiver's Certificate, have been executed; and
  - (ii) there are no defaults or Events of Default as certified by the Borrower on the date of such advance.

(collectively, the "**Availability Conditions**").

Immediately upon the Availability Conditions being met, Sonicfield will advance such amount to the Receiver by way of wire transfer to a bank account advised by the Receiver in immediately available funds.

As at the date of this announcement, the Availability Conditions set out in (a) above have been fulfilled on 22 December 2017 and accordingly, Sonicfield has advanced Tranche A to the Receiver. The Company will make a separate announcement in

respect of the execution of the Asset Purchase Agreement and Restructuring Implementation Agreement.

**Interest rate** Each borrowing under the Financing Facility shall bear interest at the rate of 10% per annum. The interest rate shall be automatically increased by 5% to 15% per annum upon the occurrence and during the continuance of an Event of Default.

**Lender expenses** The Borrower shall pay all of the out-of-pocket expenses (including the fees and expenses of all legal counsel and advisors) of Sonicfield or its affiliates from 1 November 2017 associated with the receivership proceeding and all expenses of Sonicfield in connection with the ongoing monitoring and administration of the Financing Facility and the enforcement of the Receiver's Borrowings Facility Agreement (collectively, the "**Lender Expenses**").

**Security and priority** The obligations of the Borrower (including the Lender Expenses) shall be secured by the Receiver's Borrowings Charge (i.e., subordinate in priority only to the Receiver's Charge and the charges set out in the BIA).

**Use of proceeds** Tranche A  
The Receiver shall use the proceeds of Tranche A only for the purposes of:

- (a) repaying the principal, interest, costs, fees and expenses outstanding with respect to the Existing Receiver's Borrowing;
- (b) paying the amounts owed with respect to the KERP Charge; and
- (c) paying the costs and expenses of the receivership proceeding to and including 8 January 2018, but only in accordance with the Approved Cash Flow Forecast.

Tranche B  
The Receiver shall use the proceeds of Tranche B only for the purposes of paying the costs and expenses of the receivership proceeding, but only in accordance with the Approved Cash Flow Forecast and such funds shall only be disbursed when the costs and expenses in the Approved Cash Flow Forecast have been actually incurred.

## Tranche C

The Receiver shall use the proceeds of borrowings under Tranche C only for the purposes of:

- (a) paying the costs and expenses of the receivership proceeding; and
- (b) funding the preparatory costs to enable the Mines to resume production as soon as possible after the closing of the Acquisition,

in both cases, only in accordance with the Approved Cash Flow Forecast and disbursed with the consent of Sonicfield.

If, at the time of closing of the Acquisition, the Receiver is in possession of proceeds of the Financing Facility that are not required to pay costs or expenses then incurred in accordance with the Receiver's Borrowings Facility Agreement or costs and expenses required to be spent to satisfy the Receiver's remaining obligations in the receivership proceeding, the Receiver shall return such proceeds to Sonicfield.

### **Mandatory prepayment**

Subject to the Receiver being satisfied that it has sufficient security to satisfy all obligations that are due or may become due under the Receiver's Charge, the Financing Facility shall be prepaid with the net cash proceeds of any sale of the Property.

### **Documents**

The Receiver's Borrowings Facility Agreement, the Approved Cash Flow Forecast and its subsequent versions, the Receiver's Borrowings Charge, all orders of the Court and all applications by the Receiver made in the receivership proceeding, shall be in form and substance satisfactory to Sonicfield and its counsel, acting reasonably.

### **Sale approval**

The Receiver and Sonicfield or an affiliate of Sonicfield (the "**Purchaser**") shall execute an asset purchase agreement (the "**Asset Purchase Agreement**"), pursuant to which, among other things, the Receiver shall agree to sell to the Purchaser all or substantially all of the Property (the "**Acquisition**"). The Acquisition shall proceed in accordance with the following timeline and key milestones (each, an "**Acquisition Milestone**"), which dates may be extended by Sonicfield in writing in its sole discretion:

- (a) on or before 22 December 2017, the Receiver and the Purchaser shall execute the Asset Purchase Agreement;
- (b) on or before 22 December 2017, the Receiver and Sonicfield shall execute the Receiver's Borrowings

Facility Agreement;

- (c) on or before 22 December 2017, Sonicfield shall execute a restructuring implementation agreement with China Minsheng Banking Corp., Ltd. (the "**Restructuring Implementation Agreement**");
- (d) on or before 22 December 2017, the Receiver shall file and serve an application seeking the January 8 Order and the Sale Order along with all supporting materials, such application to be returnable in the Court on 8 January 2018;
- (e) on 8 January 2018, the Receiver shall have obtained from the Court the January 8 Order and an approval and vesting order (the "**Sale Order**") approving the Asset Purchase Agreement and the Acquisition, and vesting the Property in the Purchaser, free and clear of all encumbrances, upon closing of the Acquisition; and
- (f) closing of the Acquisition shall occur no later than 30 June 2018.

Items (a) to (d) of the Acquisition Milestones have been completed on 22 December 2017. Separate announcement will be made by the Company in respect of the Asset Purchase Agreement and Restructuring Implementation Agreement entered into by Sonicfield.

## **Maturity**

The maturity of the Financing Facility (the "**Termination Date**") shall be the earliest of:

- (a) 30 June 2018; and
- (b) the date of the acceleration of the loans and the termination of the commitment with respect to the Financing Facility, due to the occurrence of an Event of Default or otherwise.

All outstanding amounts under the Financing Facility, together with all interest accrued thereof and all other amounts owing under the Receiver's Borrowings Facility Agreement shall be payable in full on the Termination Date.

## **Events of Default**

The occurrence of one or more of the following events or circumstances constitutes an "**Event of Default**":

- (a) if the receivership proceeding is terminated, or the stay of creditors' remedies against the Borrower shall, for any

reason, be lifted or terminated with respect to all or a material part of the Property; or all or any material part of the assets of the Borrower shall, with the approval of the Court or otherwise be attached, seized, levied upon or subject to execution, garnishment, distress or other similar process;

- (b) the entry of any order staying, amending, reversing, vacating or modifying the Financing Facility, the Receivership Orders or any other order granted in the receivership proceeding without prior consent of Sonicfield, ;
- (c) the Borrower fails to satisfy any Acquisition Milestone by the date specified in the Receiver's Borrowings Facility Agreement;
- (d) except for the existence of the receivership proceeding, any material adverse change since 22 December 2017 in respect of the Borrower or the Property;
- (e) default in the performance or observances of any financial reporting requirement under the Receiver's Borrowings Facility Agreement and such default is not cured within five days;
- (f) failure by the Borrower to comply with any of their agreements or covenants (other than under paragraph (e) above) and such failure is not cured within 10 days;
- (g) any representation or warranty made by the Borrower in the Receiver's Borrowings Facility Agreement shall prove to have been incorrect in any material respect;
- (h) entry of an order of any court granting or approving the granting of any lien, charge or super-priority claim that is *pari passu* with or senior to the Receiver's Borrowings Charge, except as contemplated in the Receiver's Borrowings Facility Agreement;
- (i) bringing of an application or taking other action (A) to obtain additional financing, (B) to grant any lien, not otherwise permitted by the Receivership Orders and Receiver's Borrowings Facility Agreement, upon or affecting any assets of the Borrower or (C) any other action adverse to Sonicfield; or
- (j) payment of, or application for authority to pay any amount not provided in the Approval Cash Flow Forecast without consent of Sonicfield.

Upon the occurrence of an Event of Default, whether or not there is availability under the Financing Facility, without any notice or demand:

- (a) the right of the Borrower to receive any advance or other accommodation of credit shall be terminated; any advances made thereafter would be in Sonicfield's discretion;
- (b) all indebtedness of the Borrower to Sonicfield of any kind, including interest and fees, shall become immediately due and payable; and

Sonicfield shall also have the right, subject to the terms of the Receivership Orders, to exercise all other customary remedies upon providing three business days' prior notice to the Receiver, including the right to realise on all Property.

The Financing Facility will be funded by internal resources of the Group.

## **INFORMATION OF THE RECEIVER**

The Receiver is a company incorporated in Canada and pursuant to the Receivership Orders dated 24 January 2017 and 3 February 2017, the Receiver was appointed as the receiver of the Property (including the Mines). GCC LP, being the owner of the Mines, is engaged in the business of the development of coal mines and the production of coking coal and related products in Canada. Due to unfavourable coal market conditions, GCC LP idled surface and underground mining operations in January and December 2015, respectively. There has been no active mining operations since then. GCC LP has been in financial distress since late 2015 and was in default of its obligations under certain facility agreement. As at the date of this announcement, the Property is under receivership of the Receiver.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Receiver, GCC LP and their respective ultimate beneficial owners are Independent Third Parties and not connected with the Group.

## **REASONS FOR AND BENEFITS OF THE PROVISION OF FINANCING FACILITY**

The principal business activities of the Group are (a) exploration, development and mining of copper and other mineral resources materials, (b) investment in financial instruments, (c) property investment, (d) money lending and (e) e-logistics platform. Sonicfield is a limited liability company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company.

The terms of the Receiver's Borrowings Facility Agreement (including the interest rate) were arrived at by the parties after arm's length negotiations, with reference to (a) the progress of restructuring process in respect of the Property and the financing need



of the Receiver; (b) the value of the Property and security arrangement of the Financing Facility; (c) prevailing commercial practice in the context of restructuring; and (d) the size of the Financing Facility.

The Company intends to acquire the Property (including the Mines) and expand its mining operations. Therefore, provision of funds to the Receiver to maintain the Property prior to completion of the Acquisition and to make certain payments (e.g. payment for utilities and key employees' wages) is necessary to maintain the viability of the assets and business (including the Mines) which the Company intends to acquire. The terms of the Receiver's Borrowings Facility Agreement (including but not limited to the timetable on the Acquisition Milestone) also facilitates the completion of the Acquisition on terms satisfactory to the Company.

Having considered the above factors, the interest income to be received by the Group and the fact that the Financing Facility is secured by the Receiver's Borrowings Charge which has a super-priority, the Directors believe that the terms of the Receiver's Borrowings Facility Agreement are fair and reasonable and the provision of the Financing Facility is in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect to the Financing Facility exceed 5% but not more than 25%, the provision of the Financing Facility constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the transaction shall be subject to notification and announcement requirements under the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Sale approval”;
“Acquisition Milestone”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Sale approval”;
“Approved Cash Flow Forecast”	weekly cash flow forecast in respect of the Receiver’s exercise of powers and duties as receiver of the Property to and including 30 May 2018 prepared by the Receiver and approved by Sonicfield;
“Asset Purchase Agreement”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Sale approval”;

“Availability Conditions”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Availability conditions”;
“BIA”	Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3;
“Borrower”	the Receiver solely in its capacity as receiver of the Property, and not in its personal or corporate capacity;
“CAD\$”	Canadian dollars, the lawful currency of Canada;
“Company”	CST Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 985);
“Court”	Court of Queen’s Bench of Alberta;
“Director(s)”	the director(s) of the Company;
“Event(s) of Default”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Events of Default”;
“Existing Receiver’s Borrowing”	has the meaning given to it in the section headed “Background”;
“Financing Facility”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Facility”;
“GCC LP”	Grande Cache Coal LP, a limited partnership established in Canada and engaged in the business of the development of coal mines and the production of coking coal and related products in Canada;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s)(as defined under the Listing Rules);
“January 8 Order”	has the meaning given to it in the section headed “Background”;
“KERP Charge”	the charge granted by the order of the Court dated 5 July 2017 over the Property, for the beneficiaries of the key employee retention plan, and in the amount of CAD\$150,000;
“Lender Expenses”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Lender expenses”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mines”	Grande Cache Coal mines located in Alberta, Canada;
“Property”	all of the assets including the Mines which are under the receivership proceeding pursuant to the Receivership Orders;
“Purchaser”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Sale approval”;
“Receiver”	Deloitte Restructuring Inc., a company incorporated in Canada which was appointed as the receiver of the Property pursuant to the Receivership Orders;
“Receiver’s Borrowings Charge”	a fixed and specific charge over the whole of the Property as security for the payment of the monies borrowed by the Receiver for the purpose of funding the exercise of the powers and duties as receiver of the Property, together with interests and charges thereon, being a charge in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person, but subordinate in priority to the Receiver’s Charge and the charges as set out in the BIA;
“Receiver’s Borrowings Facility Agreement”	the receiver’s borrowings facility agreement dated 22 December 2017 (Alberta time) entered into between Sonicfield and the Receiver, pursuant to which Sonicfield conditionally agreed to provide the Receiver the Financing Facility for the Receiver’s exercise of powers and duties as receiver of the Property, the principal terms of which are set out in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement”;

“Receiver’s Certificate”	certificate substantially in the form annexed to the Receiver’s Borrowings Facility Agreement to evidence any principal sum borrowed by the Receiver pursuant to the Receiver’s Borrowings Facility Agreement;
“Receiver’s Charge”	a charge on the Property as security for such fees and disbursements incurred by the Receiver and its counsel both before and after the making of the order in respect of the receivership proceedings, being a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person but subject to the BIA;
“Receivership Orders”	orders of the Court dated 24 January 2017 and 3 February 2017 under which the Receiver was appointed as the receiver of the Property;
“Restructuring Implementation Agreement”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Sale approval”;
“Sale Order”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Sale approval”;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sonicfield”	Sonicfield Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Termination Date”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Maturity”;
“Tranche A”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Facility”;
“Tranche B”	has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Facility”;

“Tranche C” has the meaning given to it in the section headed “Principal terms of the Receiver’s Borrowings Facility Agreement – Facility”;

“%” per cent.

By order of the Board  
**CST Group Limited**  
**Chiu Tao**  
*Executive Director and  
Chairman*

Hong Kong, 27 December 2017

*As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Hui Richard Rui, Mr. Lee Ming Tung, Mr. Kwan Kam Hung, Jimmy, Mr. Yeung Kwok Yu, Mr. Tsui Ching Hung, Mr. Chen Weixing and Mr. Wah Wang Kei, Jackie as executive directors of the Company; and (ii) Mr. Yu Pan, Ms. Tong So Yuet, Ms. Ma Yin Fan and Mr. Leung Hoi Ying as independent non-executive directors of the Company.*