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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 985)**

## **ANNOUNCEMENT**

### **(1) VERY SUBSTANTIAL ACQUISITION – ACQUISITION OF PURCHASED ASSETS AND PROPOSED RESTRUCTURING OF THE INDEBTEDNESS OF GRANDE CACHE COAL LP AND (2) RESUMPTION OF TRADING**

#### **RESTRUCTURING IMPLEMENTATION AGREEMENT**

On 22 December 2017 (Alberta time, after trading hour), the Company's indirect wholly-owned subsidiary, Sonicfield and CMBC entered into the Restructuring Implementation Agreement, pursuant to which the parties agreed to implement the Transaction in accordance with the terms set out therein.

#### **ASSET PURCHASE AGREEMENT**

On 22 December 2017 (Alberta time, after trading hour), Sonicfield and the Vendor entered into the Asset Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell and transfer the Purchased Assets.

It is the Company's intention to collaborate with CMBC to restructure the indebtedness of GCC LP and to acquire the relevant mining assets and properties which are under receivership from the Vendor. Accordingly, the Company, through its indirect wholly-owned subsidiary, Sonicfield, entered into the Restructuring Implementation Agreement and the Asset Purchase Agreement to facilitate the implementation of the proposed restructuring of the indebtedness of GCC LP and the Acquisition.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Transaction calculated under Rule 14.07 of the Listing Rules exceed 100%, the Transaction constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at an EGM.

An EGM will be convened to consider and, if thought fit, approve the Transaction Documents and the transactions contemplated thereunder.

A circular containing, among others, details of the Transaction, competent person's report and valuation report and the notice of an EGM will be despatched to the Shareholders in compliance with the Listing Rules as soon as practicable.

**Shareholders and potential investors should note that completion of the Transaction is subject to, among other things, the satisfaction or waiver of the conditions precedent, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 27 December 2017 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 January 2018.

## **INTRODUCTION**

On 22 December 2017 (Alberta time, after trading hour):

- (a) Sonicfield, the Company's indirect wholly-owned subsidiary, and CMBC entered into the Restructuring Implementation Agreement, pursuant to which the parties agreed to implement the Transaction in accordance with the terms set out therein; and
- (b) Sonicfield and the Vendor entered into the Asset Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell and transfer the Purchased Assets.

## **BACKGROUND**

GCC LP is a limited partnership established in Canada and being the owner of the Mines, is engaged in the business of the development of coal mines and 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.

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, among other powers, market any or all the Property, and to sell and transfer the Property subject to the approval of the Court.

It is the Company's intention to collaborate with CMBC to restructure the indebtedness of GCC LP and to acquire the relevant mining assets and properties which are under receivership from the Vendor. Accordingly, the Company, through its indirect wholly-owned subsidiary, Sonicfield, entered into the Restructuring Implementation Agreement and the Asset Purchase Agreement to facilitate the implementation of the proposed restructuring of the indebtedness of GCC LP and the Acquisition (the "**Transaction**").

## **RESTRUCTURING IMPLEMENTATION AGREEMENT**

### **(1) Principal terms**

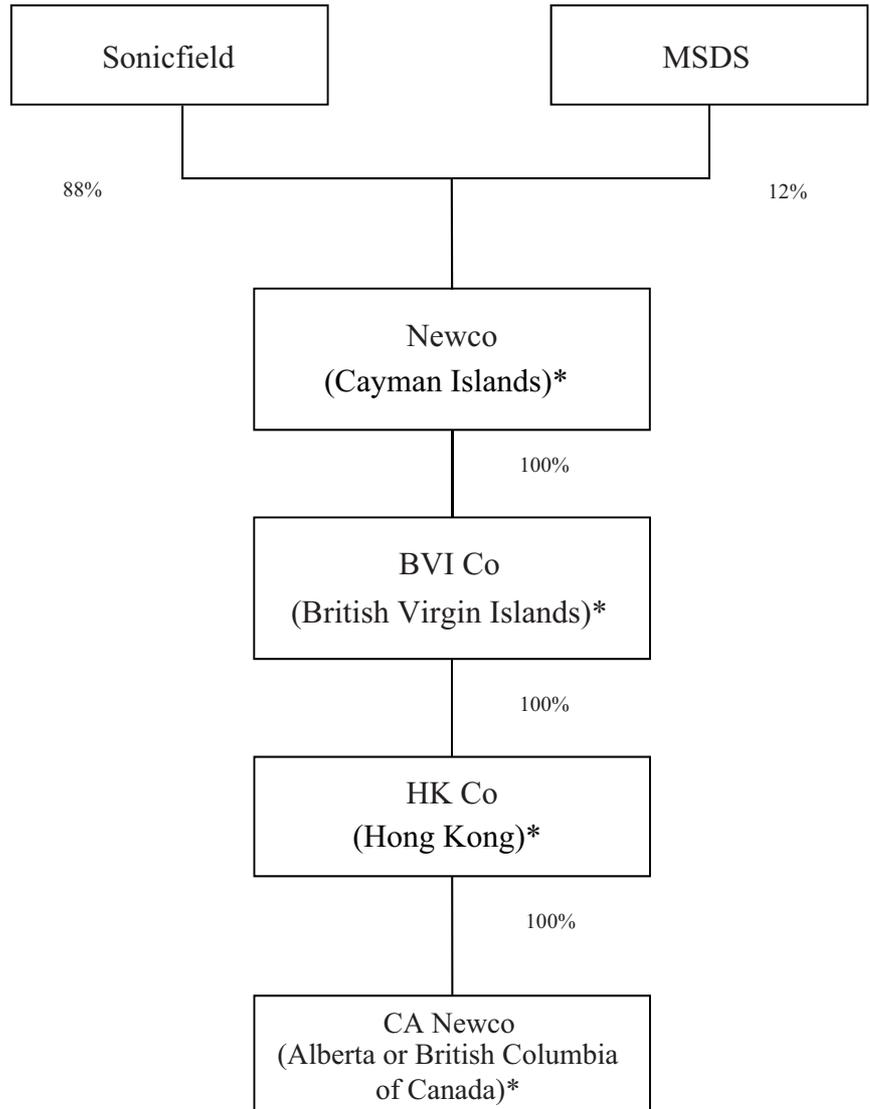
<b>Date</b>	22 December 2017 (Alberta time, after trading hour)
<b>Parties</b>	Sonicfield, an indirect wholly-owned subsidiary of the Company; and  CMBC
<b>Agreement to implement the Transaction</b>	Sonicfield and CMBC agree to use all commercially reasonable endeavours to implement the Transaction in accordance with the terms and subject to the conditions of the Restructuring Implementation Agreement
<b>Conditions precedent</b>	The implementation of the Transaction (other than the transactions contemplated by the section headed "Restructuring Implementation Agreement — (1) Principal terms — Formation of the Purchaser Group" and the deposit by Sonicfield of US\$71,500,000 contemplated by the first paragraph of the section headed "Restructuring Implementation Agreement — (1) Principal terms — Financing of the Transaction — New Financing") is conditional upon the satisfaction or waiver of the following conditions:  (a) the Sale Order selecting Sonicfield (and/or CA Newco) as the successful bidder and approving the Asset Purchase Agreement in respect of the Acquisition having been granted by the Court and is not subject to any appeal proceedings;

- (b) all requisite corporate and regulatory consents and approvals (including approval from shareholders of the Company and Sonicfield) in connection with the Transaction having been obtained;
- (c) in respect of the completion of the Acquisition, all leases, approvals, permits and licences (including any environmental permits and licences) necessary for, or desirable in connection with, the operation of the assets, businesses and undertakings acquired from the Acquisition having been obtained and on terms mutually acceptable to Sonicfield and CMBC (such acceptance not to be unreasonably withheld unless any material adverse effect on the business and operations of CA Newco would reasonably be expected);
- (d) the New Financing and the New CMBC Facility are committed and available for draw down (other than where the drawdowns are not available due to non-fulfilment of the conditions precedent of the New CMBC Facility which are under the sole control of Sonicfield) at or before completion of the Acquisition to enable the Acquisition to occur; and
- (e) completion of the Acquisition in accordance with the terms and conditions of the Asset Purchase Agreement, unless the Acquisition is not completed due to the failure to satisfy the conditions precedents thereof which are under the sole control of Sonicfield.

Condition (b) may not be waived in any event by any of the parties; other conditions may be waived in whole or in part by Sonicfield and CMBC by mutual agreement in writing.

**Formation of the Purchaser Group**

Sonicfield and CMBC agree to procure the formation of the Purchaser Group in the following structure:



\* = Place of incorporation

The Purchaser Group is to be formed pursuant to the Restructuring Implementation Agreement which was signed between Sonicfield and CMBC. CMBC will nominate MSDS as the shareholder for 12% of the shares in Newco. Sonicfield shall own 88% of the shares in Newco. Newco, as the holding company of the Purchaser Group, shall have a total issued share capital of US\$1,000, which shall be subscribed by Sonicfield and MSDS in proportion to their respective shareholding in Newco.

**Management of the  
Purchaser Group**

All affairs and businesses of each Purchaser Group member shall be managed by their respective board of directors.

The board of directors of each Purchaser Group Member shall consist of at least four directors.

**Rights of Sonicfield:** For as long as Sonicfield shall remain entitled to exercise no less than 60% of the voting power exercisable at a general meeting of Newco or have no less than 60% of the economic interest in any Purchaser Group Member, it shall be entitled to appoint any number of directors to the board of directors of each Purchaser Group Member (each such director, a “**Sonicfield Director**”).

**Rights of CMBC:** For as long as CMBC shall remain entitled to exercise no less than 10% of the voting power exercisable at a general meeting of Newco or have no less than 10% of the economic interest in any Purchaser Group Member, it shall be entitled to appoint one director (the “**CMBC Director**”) to the board of directors of each Purchaser Group Member.

The quorum for a board meeting shall be any two directors and any resolution may be passed by a simple majority, other than resolutions in relation to certain reserved matters as set out in the Restructuring Implementation Agreement, which require approval of the CMBC Director.

Sonicfield (or its nominees) shall have earned and be entitled to a management fee (the “**Management Fee**”) at the following rates:

- (a) before full repayment (or redemption) of the Preferred New Financing, 1% of the revenue of CA Newco; and
- (b) after full repayment (or redemption) of the Preferred New Financing, 1.5% of the revenue of CA Newco,

provided that the payment of the Management Fee will only be made as and when CA Newco has a positive Net Cash Flow.

**Entering into the Asset Purchase Agreement**

CA Newco shall enter into the Asset Purchase Agreement with the Receiver in respect of the Acquisition and effect payment of the Acquisition Consideration. Upon completion of the Acquisition, all assets (including any deposit maintained with regulatory authorities) acquired shall be wholly-owned by CA Newco.

CA Newco's obligation under the Asset Purchase Agreement for the Acquisition Consideration shall be funded by the New Financing and the New CMBC Facility.

**Financing of the Transaction**

**New Financing**

Subject to the signing of the Asset Purchase Agreement and the Receiver's Loan Agreement, Sonicfield shall promptly deposit and has deposited cash in the amount of US\$71,500,000 (the "**New Financing**") into a bank account in the name of and under the sole control of Sonicfield maintained with CMBC.

At completion of the Acquisition in accordance with the terms and conditions of the Asset Purchase Agreement, Sonicfield shall make available the New Financing to CA Newco in the value of US\$71,500,000.

The New Financing shall be used for the following purposes:

- (a) first, to fund CA Newco's obligation for the Acquisition Consideration, which shall be used for (i) settlement in full of the Receiver's Loan and (ii) payment of the Receiver's fees and expenses, the aggregate amount of (i) and (ii) shall not exceed US\$15,000,000 or such amount as approved by the Court for financing provided to the Receiver;
- (b) secondly, repayment of the Assigned Loan and payment of accrued interest therein;
- (c) thirdly, payment of Restructuring Expenses of CMBC in accordance with the terms of the Restructuring Implementation Agreement;
- (d) the remainder as working capital of CA Newco.

## **New CMBC Facility**

CMBC shall provide a term loan facility (the “**New CMBC Facility**”) to CA Newco to fund CA Newco’s obligation for the Acquisition Consideration, which shall be used for the repayment in full of the Old CMBC Facility and accrued interest (including default interest) and any fees and expenses in respect thereof (other than the GCC Remaining Liabilities) on (i) the major terms as set out in section (3) below and (ii) other terms to be agreed between CA Newco and CMBC.

Principal terms of the New Financing and the New CMBC Facility are set out in sections (2) and (3) below separately.

## **Guarantee**

CA Newco shall provide a guarantee (the “**Guarantee**”) for the GCC Remaining Liabilities in form and substance satisfactory to CMBC and all the original guarantee and security provided in respect of the Old CMBC Facility shall be terminated and released.

The GCC Remaining Liabilities shall be non-interest-bearing and shall be repaid out of the Net Cash Flow pursuant to the terms of the Restructuring Implementation Agreement.

## **Additional CMBC Facility and Additional New Financing**

If at any time after the resumption of production of the Mines, additional capital is required for the operation of CA Newco and the remainder of the amount of the New Financing is not sufficient for providing such additional capital, at the request of CA Newco, CMBC may (but is not obliged to) provide, or cause to provide, an amount of up to US\$20,000,000 in the form of additional banking facilities (the “**Additional CMBC Facility**”) to CA Newco which will bear interest at the same rate of the New CMBC Facility.

If CMBC does not provide the Additional CMBC Facility or only provide part of it, Sonicfield may provide, or may cause to provide, an amount up to US\$20,000,000 in the form of shareholder loan (or another form as Sonicfield determines) to CA Newco (the “**Additional New Financing**”). The Additional New Financing will bear interest at the rate of 15% per annum.

**Intercreditor  
arrangement**

If any Insolvency Event in relation to CA Newco is in contemplation or developing or has occurred or developed, or any action or other procedure or step is taken in respect of an Insolvency Event or restructuring of indebtedness of CA Newco:

- (a) Sonicfield’s recovery of its exposure to CA Newco under the Preferred New Financing (and if applicable, Additional New Financing) shall rank ahead of CMBC’s exposure to CA Newco under the New CMBC Facility (and if applicable, the Additional CMBC Facility); and
- (b) CMBC shall hold all the security in respect of the New CMBC Facility and proceeds recovered therefrom on trust for both itself and Sonicfield in respect of the New CMBC Facility and the Preferred New Financing (and if applicable, the Additional New Financing).

“**Insolvency Event**” means:

- (a) any resolution is passed or order made for the winding up, dissolution, administration or reorganization of CA Newco, a moratorium is declared in relation to any indebtedness of CA Newco or an administrator is appointed to CA Newco;
- (b) the appointment of any liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of CA Newco or any of its assets;
- (c) any analogous procedure or step is taken in any jurisdiction; or
- (d) any event of default under the New CMBC Facility occurs.

**Net Cash Flow  
distribution**

Any Net Cash Flow in CA Newco shall be distributed in the following manner:

- (a) before full repayment or redemption of the Preferred New Financing (and if applicable, the Additional New Financing):
  - (i) first, retention of 10% as working capital of CA Newco, and CMBC shall ensure that such funds are and will be used for CA Newco's production purposes in accordance with CA Newco's approved budget and annual production plan;
  - (ii) secondly, if applicable, the repayment of principal and outstanding interest on the Additional New Financing and the Additional CMBC Facility;
  - (iii) thirdly, payment of the Restructuring Expenses subject to the terms of the Restructuring Implementation Agreement;
  - (iv) fourthly, (A) 50% of the remaining amount in or towards repayment of principal and payment of outstanding interest on the New CMBC Facility and thereafter in or towards repayment of the GCC Remaining Liabilities, and (B) the other 50% in or towards, first, repayment of principal and outstanding interest under the Term Loan and payment of fixed returns relating to the redeemable preference shares under Preference Share A Subscription and secondly, redemption of all redeemable preference shares in CA Newco pursuant to the Preference Share A Subscription; provided that (I) in respect of the New CMBC Facility, any payment of interest shall be made only after all principal amount has been repaid and (II) in respect of the Preferred New Financing, any repayment of principal shall be made only after all interest (or fixed returns, as applicable) have been paid;
- (b) after full repayment or redemption of the Preferred New Financing (and if applicable, the Additional New Financing):

- (i) first, retention of 10% as working capital of CA Newco, and CMBC shall ensure that such funds are and will be used for CA Newco's production purposes in accordance with CA Newco's approved budget and annual production plan;
- (ii) secondly, (A) 50% of the remaining amount in or towards repayment of principal and outstanding interest on the New CMBC Facility and thereafter in or towards repayment of the GCC Remaining Liabilities and (B) the other 50% will first be applied in or towards redemption of all redeemable preference shares in CA Newco pursuant to the Preference Share B Subscription and thereafter as investment return for the shareholder of CA Newco and each Purchaser Group Member shall make corresponding distribution to its shareholder(s) in proportion to their respective shareholding (if applicable); and
- (c) in all other cases, subject to the sole discretion of the board of directors of CA Newco.

**Resumption of production and operation**

Sonicfield undertakes to procure CA Newco to take all the requisite steps for the resumption of production and operation of the Mines promptly upon the completion of the Acquisition.

**Restructuring Expenses**

CA Newco shall be liable for the payment of the Restructuring Expenses, provided that:

- (a) CMBC shall not claim for reimbursement from CA Newco of its Restructuring Expenses in the aggregate amount in excess of US\$3,000,000 (including payment of Receiver's fees and expenses); and
- (b) Sonicfield shall not claim for reimbursement from CA Newco of its Restructuring Expenses in the aggregate amount in excess of US\$1,500,000.

**Termination**

If the Conditions are not satisfied (or waived) on or before 30 June 2018 or such later date expressly agreed by the parties in writing, the Restructuring Implementation Agreement shall automatically terminate and Sonicfield and CMBC shall be entitled to exercise any right it is entitled to.

(2) **Principal terms of the New Financing**

**Lender/ Subscriber**            Sonicfield

**Borrower/Issuer**            CA Newco

**Facility**                        The New Financing shall be in the value of US\$71,500,000 and in the form of:

- (a) a US\$42,900,000 shareholder loan by Sonicfield (or its Affiliate) to CA Newco (the “**Term Loan**”);
- (b) a US\$18,600,000 subscription by Sonicfield (or its subsidiary) of redeemable preference shares A in CA Newco which CA Newco shall be under a mandatory obligation to redeem (the “**Preference Share A Subscription**”). Such preference shares A shall carry no voting rights and shall not be capable of being converted into ordinary shares in the capital of CA Newco; and
- (c) a US\$10,000,000 subscription by Sonicfield (or its subsidiary) of redeemable preference shares B in CA Newco which CA Newco shall be under a mandatory obligation to redeem (the “**Preference Share B Subscription**”). Such preference shares B shall carry no voting rights and shall not be capable of being converted into ordinary shares in the capital of CA Newco.

The Term Loan and the Preference Share A Subscription shall be collectively referred to as the “**Preferred New Financing**”.

**Financial terms**

- (a) in respect of the Term Loan:

**Maturity**                      5 years

**Interest rate**                8% per annum (Interest shall start to accrue from the date after the date of completion of the Acquisition and shall accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days. Interest shall be payable on the last day of each interest period)

**Interest period** 3 months

**Security interest** nil

**Repayment of principal and interest** Subject to Net Cash Flow in CA Newco being available

See the section headed “Restructuring Implementation Agreement — (1) Principal terms — Net Cash Flow distribution” above

(b) in respect of the Preference Share A Subscription:

**Mandatory redemption period** 5 years

**Fixed return** 8% per annum

**Security interest** nil

**Redemption and payment of fixed return** Subject to Net Cash Flow in CA Newco being available

See the section headed “Restructuring Implementation Agreement – (1) Principal terms – Net Cash Flow distribution” above

(c) in respect of the Preference Share B Subscription:

**Mandatory redemption period** 5 years

**Fixed return** nil

**Security interest** nil

**Redemption** Subject to Net Cash Flow in CA Newco being available

See the section headed “Restructuring Implementation Agreement — (1) Principal terms — Net Cash Flow distribution” above

**(3) Principal terms of the New CMBC Facility**

<b>Lender</b>	CMBC
<b>Borrower</b>	CA Newco
<b>Facility</b>	The New CMBC Facility shall be in an amount equal to the amount outstanding under the Old CMBC Facility (other than the GCC Remaining Liabilities) which shall be of not less than US\$410,000,000 (the exact amount of which shall be determined at the time the loan documentation are entered into)
<b>Maturity</b>	5 years
<b>Interest rate</b>	3-Month USD LIBOR + 1.2% (Interest shall start to accrue from the drawdown date of the New CMBC Facility)
<b>Interest period</b>	3 months
<b>Security interest</b>	<p>The New CMBC Facility shall be secured and guaranteed by the following:</p> <p>(a) charges over:</p> <ul style="list-style-type: none"><li>(i) if required by CMBC, all the shares in Newco held by (A) Sonicfield (88%), and (B) MSDS (12%), provided that if a charge over the shares in Newco is to be given, then both shareholders shall charge all of their shares; and</li><li>(ii) all the shares in each other Purchaser Group Member held by its respective shareholders,</li></ul> <p>provided that the recourse against Sonicfield shall be limited to its shareholding in Newco;</p> <p>(b) a fixed and floating charge over all present and future assets and undertakings of CA Newco (including the mining rights); and</p>

- (c) joint and several corporate guarantees in form and substance satisfactory to CMBC from each of the shareholders of each Purchaser Group Member (other than MSDS), provided that the recourse against Sonicfield shall be limited to its shareholding in Newco and shall be subject to the intercreditor arrangement as set out in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Intercreditor arrangement” above.

**Repayment of principal and interest**

Subject to Net Cash Flow in CA Newco being available, provided that the portion of the Net Cash Flow which is to be made available for this purpose shall be applied:

- (a) first, to repay the principal amount of the New CMBC Facility; and
- (b) secondly, after the principal amount of the New CMBC Facility has been repaid in full, to pay the interest accrued on the New CMBC Facility, provided that no interest shall accrue on any interest on the New CMBC Facility which is unpaid.

See the section headed “Restructuring Implementation Agreement — (1) Principal terms — Net Cash Flow distribution” above.

**ASSET PURCHASE AGREEMENT**

**Principal terms of the Asset Purchase Agreement**

**Date** 22 December 2017 (Alberta time, after trading hour)

**Parties** Sonicfield as the purchaser; and  
the Receiver as the vendor

**Assignment of the Asset Purchase Agreement** Sonicfield shall assign all of its right, title and interest in the Asset Purchase Agreement to a newly formed Canadian corporation which, upon completion of such assignment, shall be responsible for and shall complete all of the obligations of the Purchaser hereunder.

Sonicfield intends to assign all such right, title and interest in the Asset Purchase Agreement to CA Newco on or prior to completion of the Acquisition.

**Purchase and sale**

Subject to the terms and conditions of the Asset Purchase Agreement, the Vendor agrees to sell, assign, transfer, convey and set over to the Purchaser, and the Purchaser agrees to purchase and accept the Purchased Assets from the Vendor at and for the Acquisition Consideration.

**Purchased Assets**

All the Debtors' right, title, estate and interest in and to the Properties, the Ancillary Interests, the Tangibles, the Books and Records, the Inventory, the AER Security, the Permits, the amount of GST rebated to the Debtors which relates to the amounts paid by the Debtors in relation to the assets during the period following 22 December 2017, equipment assets and leased assets, including, for greater certainty, the property, assets and items which are more particularly described in the schedule to the Asset Purchase Agreement, but excludes the assets and permits which the Purchaser has identified as being excluded from the Acquisition in accordance with the Asset Purchase Agreement.

**Collective Agreement**

At Closing, the Purchaser will become the successor to the Vendor under the Collective Agreement pursuant to the provisions of the *Labour Relations Code*, RSA 2000 c. L-1 and on and after the Closing Date will be bound by and observe all of the terms, conditions, rights and obligations under the Collective Agreement to the extent that it applies to employees employed in the Purchased Business.

**Acquisition Consideration**

The purchase price to be paid by the Purchaser to the Vendor for the Purchased Assets shall be satisfied by:

- (a) the issuance of the Guarantee; and
- (b) the payment of the following amounts:
  - (i) US\$410,000,000 shall be payable by the Purchaser to the Vendor in cash (the "**Closing Cash Amount**") (being the outstanding principal amount of the Old CMBC Facility);
  - (ii) set-off and/or waiver by the Purchaser of any right of repayment of the Receiver's Borrowings Charge in an amount which shall not exceed US\$15,000,000 or such other amount that may be mutually agreed between the Vendor and the Purchaser;

and

- (iii) repayment of the Assigned Loan by the Purchaser to GCC Maple in the aggregate amount of approximately US\$5,910,000.

The Acquisition Consideration shall be paid and satisfied by the Purchaser as follows:

- (a) US\$1,000,000 was paid to the Vendor together with submission of the Purchaser's bid on 10 November 2017 as the first deposit (the "**First Deposit**");
- (b) US\$1,500,000 was paid to the Vendor on 28 December 2017 which is within two Business Days upon signing of the Asset Purchase Agreement as the second deposit (the "**Second Deposit**");
- (c) on the Closing Date, the Purchaser shall satisfy the balance of the Acquisition Consideration by (i) paying to the Vendor in cash the Closing Cash Amount, less the Deposits and (ii) execution and delivery to the Vendor of a written waiver and release in respect of any right of repayment of the Receiver's Borrowings Charge;
- (d) on the Closing Date, execution and delivery of the Guarantee; and
- (e) on the Closing Date, repayment of the Assigned Loan.

The Acquisition Consideration does not include any excise taxes, including GST. At Closing, the Purchaser shall pay to the Vendor an amount equal to the statutory rate of GST on the portion of the Acquisition Consideration allocated to the Tangibles and Ancillary Interests and on the amount attributable to any other Purchased Assets or expenses to which GST may apply. The Purchaser shall also be liable and shall pay certain other taxes (if any) relating to the Acquisition including, among others, land transfer taxes and sales taxes in accordance with the Asset Purchase Agreement.

The Company intends to file tax election and apply for tax exemptions in accordance with relevant Canadian laws pursuant to which the payment of GST and carbon levies will be exempted. Subject to such exemption and save for certain land transfer fees which are expected to be of a nominal amount, no other taxes are payable by the Purchaser in respect of the Acquisition.

**Deposits**

The Deposits received by the Vendor shall be held in trust by the Vendor and shall be credited against the Acquisition Consideration if Closing occurs in accordance with the terms and conditions of the Asset Purchase Agreement.

If the Asset Purchase Agreement is terminated by the Vendor due to a material breach by the Purchaser of any material representation, warranty or covenant contained in the Asset Purchase Agreement, the Vendor shall be entitled to the Deposits as a genuine pre-estimate of the Vendor's liquidated damages and not as a penalty, provided however that the Vendor shall not be entitled to the Deposits if the Purchaser is unable to fulfill its obligations under the Asset Purchase Agreement as a result of a failure of CMBC to satisfy its obligations under the Restructuring Implementation Agreement, or any agreements contemplated therein.

**Closing Date**

The Closing shall take place on the earlier of:

- (a) 30 June 2018; or
- (b) the date that is five (5) Business Days after all of the conditions precedent to Closing in the Asset Purchase Agreement have been satisfied or waived; or
- (c) such other Business Day as the Purchaser and the Vendor may agree in writing,

(the "**Closing Date**").

**Conditions precedent**

The obligation of the Vendor to complete the sale of the Purchased Assets is subject to the satisfaction, at or prior to the Closing Date, of the following conditions precedent:

- (a) all representations and warranties of the Purchaser contained in the Asset Purchase Agreement shall be true in all material respects at the Closing Time, and the Vendor shall have received a certificate from a senior officer of the Purchaser confirming its truthfulness and dated as of the Closing Date;
- (b) the Purchaser shall have, in all material respects, timely performed and satisfied all obligations required by the Asset Purchase Agreement to be performed and satisfied by the Purchaser prior to the Closing Date, which, for greater certainty, excludes any obligations that by their nature can only be satisfied on the Closing Date;

- (c) no governmental authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Acquisition which has not been vacated or dismissed prior to the Closing Time;
- (d) the Court approval of the Acquisition and vesting of the Purchased Assets shall have been obtained and shall be a final order; and
- (e) the Vendor is satisfied that it will be in receipt of cash in an amount to pay and fully discharge all amounts outstanding under and pursuant to the Receiver's Charge and Receiver's Borrowings Charge.

The foregoing conditions may be waived by the Vendor at any time in whole or in part, except for the condition (d) above which cannot be waived.

The obligation of the Purchaser to complete the purchase of the Purchased Assets pursuant to the Asset Purchase Agreement is subject to the satisfaction, at or prior to the Closing Date, of the following conditions precedent:

- (a) all representations and warranties of the Vendor contained in the Asset Purchase Agreement shall be true in all material respects on the Closing Date, and the Purchaser shall have received a certificate from a senior officer of the Vendor confirming its truthfulness and dated as of the Closing Date;
- (b) the Vendor shall have, in all material respects, timely performed and satisfied all obligations required by the Asset Purchase Agreement to be performed and satisfied by the Vendor prior to the Closing Date, which, for greater certainty, excludes any obligations that by their nature can only be satisfied on the Closing Date;
- (c) all required third party consents shall have been obtained or otherwise delivered;
- (d) all regulatory approvals shall either have been obtained or shall be in a state such that the regulatory approvals shall be effective on or following the Closing Date;

- (e) no governmental authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the completion of the Acquisition which has not been vacated or dismissed prior to the Closing Time;
- (f) the Court approval of the Acquisition and vesting of the Purchased Assets shall have been obtained and shall be a final order;
- (g) the approval of the Acquisition from the shareholders of the Company shall have been obtained;
- (h) the Purchaser shall be reasonably satisfied with the results of its reviews and assessments of environmental, regulatory and infrastructure matters relating to the Purchased Assets and the Purchased Business (the “**Reviews**”), which shall be completed by no later than 15 February 2018, provided that the Purchaser shall be deemed to be satisfied with the reviews and assessments if there are no material adverse findings and the cost associated with correcting any deficiencies identified does not cause the aggregate cost of the Purchaser’s asset purchase costs, restructuring plan of the Purchased Assets and reproduction plan of the Mines to materially exceed the aggregate of (i) the amount of the New CMBC Facility and (ii) US\$71,500,000 (the “**Purchaser’s Aggregate Cost**”);
- (i) the AER Security shall be fully transferable to the Purchaser on Closing; and
- (j) the Purchaser shall have entered into new financing agreements with CMBC, on terms and conditions acceptable in accordance with the terms of the Restructuring Implementation Agreement, including with respect to the restructuring and/or payment of the indebtedness of the Debtors, the financing of the Acquisition Consideration, and the future financing plan of the Purchaser with respect to the operation of the Purchased Assets.

The foregoing conditions may be waived at any time in whole or in part by the Purchaser, except for the condition (f) above which cannot be waived.

**Indemnity**

If Closing occurs, the Purchaser shall indemnify the Vendor and its representatives from and against all losses and liabilities (including environmental liabilities) relating to the Purchased Assets or the terms and conditions of relevant permits arising on or after 12:01 a.m. on the Closing Date.

**Termination**

The Asset Purchase Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of the Vendor and the Purchaser;
- (b) by the Purchaser:
  - (i) by written notice to the Vendor in the following circumstances:
    - (A) where, pursuant to inspection by the Purchaser from the date of the Asset Purchase Agreement up to 15 February 2018, any material portion of the Purchased Assets or any Purchased Asset which is material to the operation of the Properties is determined to be missing or otherwise not available on the Closing Date or deficient (in the reasonable opinion of the Purchaser);
    - (B) where the cost associated with correcting any deficiencies identified in its Reviews to be completed no later than 15 February 2018 causes the aggregate cost of the Purchaser's asset purchase costs, restructuring plan of the Purchased Assets and reproduction plan of the Mines to materially exceed the Purchaser's Aggregate Cost and written evidence is provided to the Vendor;
    - (C) where prior to the Closing Date, all or any material portion of the Purchased Assets are expropriated or seized by any governmental authority or if notice of expropriation or seizure has been given in accordance with laws and the Purchaser in its reasonable discretion determines to terminate the Asset Purchase Agreement; or

- (D) where prior to the Closing Date, any material portion of the Purchased Assets are destroyed or damaged by fire or other casualty and the Purchaser reasonably determines the loss will materially impair Purchaser's ability to operate the assets following Closing;
  - (ii) if there has been a material breach by the Vendor of any material representation, warranty or covenant in the Asset Purchase Agreement (except where such breach would not reasonably be expected to have a material adverse effect on the Purchased Assets or ability of the Vendor to complete the Acquisition, or has been waived by the Purchaser); or
  - (iii) any time after 30 June 2018 if the conditions precedent in favour of the Purchaser have not been satisfied or waived by 30 June 2018 (other than where such non-satisfaction of conditions precedent is principally caused by the failure of the Purchaser to fulfill its obligations or the breach of its representations and warranties under the Asset Purchase Agreement);
- (c) by the Vendor:
- (i) if there has been a material breach by the Purchaser of any material representation, warranty or covenant in the Asset Purchase Agreement (except where such breach would not reasonably be expected to have a material adverse effect on the Purchased Assets or the ability of the Purchaser to complete the Acquisition, or has been waived by the Vendor); or
  - (ii) any time after 30 June 2018 if the conditions precedent in favour of the Vendor have not been satisfied or waived by 30 June 2018 (other than where such non-satisfaction of conditions precedent is principally caused by the failure of the Vendor to fulfil its obligations or the breach of its representations and warranties under the Asset Purchase Agreement).

## **CONSIDERATION OF THE TRANSACTION**

The total consideration of the Transaction shall be the aggregate of:

- (a) the Guarantee;
- (b) the New Financing; and
- (c) the New CMBC Facility.

The provision of New Financing by the Sonicfield will be satisfied by internal resources of the Group.

## **BASIS OF CONSIDERATION**

As the Purchased Assets are currently under receivership and not revenue-generating and the Transaction involves the restructuring of indebtedness of GCC LP which is in financial distress, the total consideration of the Transaction was determined after arm's length negotiation among parties to the Transaction Documents, taking into account, among others, (a) the level of secured indebtedness of GCC LP which are to be repaid (including but not limited to the Old CMBC Facility with outstanding principal amount of US\$410,000,000, the Assigned Loan with outstanding amount of approximately US\$5,910,000 and GCC Remaining Liabilities with outstanding amount of approximately US\$40,100,000, and the Receiver's Loan of up to CAD\$35,000,000); (b) the level of coking coal/mineral resources and reserves available in the Mines and the remaining working life of the Mines (according to information provided by the Vendor, as at 31 December 2016, the Mines have run-of-mine coal reserves of 43.6 million tonnes, saleable coal reserves of 31.1 million tonnes and a mine life of 16 years); (c) approximately US\$41,000,000 which the Company estimated as being required as capital to resume mining production in the Mines; (d) commodity prices and prospects of the coking coal mining industry; and (e) other findings of due diligence.

The total consideration of the Transaction has been determined to reflect the abovementioned factors and accordingly, the Directors consider the total consideration of the Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ABOUT THE PARTIES**

### **The Group**

Sonicfield is a limited liability company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. 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.

Save for the copper mining business, the Company has no intention to dispose of or downsize its current businesses.

## **CMBC and MSDS**

CMBC is a financial institution engaged in banking business. MSDS is a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of Minsheng E-Commerce Co., Ltd. (民生電商, “**Minsheng E-Commerce**”). Minsheng E-Commerce is a company incorporated in the People’s Republic of China and engaged in e-commerce business. Approximately 21% of the interest in Minsheng E-Commerce is held by the “Domestic Asset Management Plan” (國內資管計劃) issued by Minsheng Royal Asset Management Co., Ltd. (民生加銀資產管理有限公司, “**MRAM**”). CMBC indirectly holds approximately 25% of equity interests in MRAM.

After completion of the Transaction, MSDS, as a substantial shareholder of Newco, together with its associates (as defined in the Listing Rules) will become connected person(s) of the Company. Save as disclosed herein, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, CMBC, MSDS and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **The Purchaser Group**

Newco is a limited liability company to be incorporated in the Cayman Islands and an investment holding company. Sonicfield and MSDS shall own 88% and 12% of the shares in Newco, respectively.

BVI Co is a limited liability company to be incorporated in the British Virgin Islands and an investment holding company, and which shall be 100% directly owned by Newco.

HK Co is a limited liability company to be incorporated in Hong Kong and an investment holding company, and which shall be 100% directly owned by BVI Co.

CA Newco is a corporation to be incorporated under the laws of the province of Alberta or British Columbia, Canada and which shall be 100% directly owned by HK Co. CA Newco is expected to engage in the business of mining of coking coal, production and sale of coking coal and related products upon completion of the Acquisition.

## **The Receiver**

The Receiver is a company incorporated in Canada. 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. As at the date of this announcement, the Property is under receivership of the Receiver.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Receiver, GCC LP and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

As disclosed in the Company's annual report for the year ended 31 March 2017, the Group will actively seek diversified investment and potential business opportunities to increase its scale and overall revenues as well as grow shareholder value. The Company's current mining business consists of copper mining through its Lady Annie Operations. As disclosed in the Company's interim report for the period ended 30 September 2017, copper reserves in the Lady Annie mine site are mostly depleted and the Group will seek to develop other business segments with higher profitability.

The Properties of the Purchased Assets mainly include 25 coal leases covering over 29,000 hectares for operation of the Mines in the Smoky River Coalfield located in West Central Alberta, Canada. The principal product of the Mines is hard coking coal (metallurgical coal), which is sold on the seaborne hard coking coal market for the steel industry. The existing mining operations and developed infrastructure of the Mines will provide a strong base for further expansion in the region. Low-volatility hard coking coal is becoming increasingly scarce worldwide. Major markets including China that have demand for coking coal do not have reserves of the medium- to low-volatile coal that is essential in the coke mixture. The Mines operations produce high-quality, low-ash, low-volatile hard coking coal suitable for blending to meet customer requirements.

Based on the unaudited consolidated management accounts of GCC LP (which has not been reviewed or audited by auditors), the total consolidated assets of GCC LP as at 31 January 2017 was approximately CAD\$312.9 million. The consolidated net loss before taxation and after taxation and extraordinary item of GCC LP for the financial year ended 31 December 2015 was both approximately CAD\$76.5 million. As the operation of the Mines has been ceased since December 2015, no revenue was generated since then.

In late 2016 and during 2017, coking coal markets have experienced renewed growth and price forecasts for premium quality hard coking coal are robust. The Company therefore sees value in the mining assets of GCC LP and intends to acquire the same which can expand and diversify the portfolio of mining assets of the Company and to supplement the Company's mining business segment, in light of the depletion of reserves in the Lady Annie mine. While the Company and its directors and senior management do not have prior experience in coal mining, over the years under the leadership of Mr. Chiu Tao, Chairman of the Company, the Company and the Directors have possessed solid experience in operating mining business and investments in natural resources through the Company's Mina Justa Copper Project in Peru and the Lady Annie Operations in Australia. Mr. Chiu Tao, Mr. Hui Richard Rui and Mr. Wah Wang Kei, Jackie, directors of the Company, were/are also directors of G-Resources Group Limited (stock code: 1051) and have experience in gold mining operation through the previous ownership of Martabe mine in Indonesia. Given there are certain similarities between coal mining and copper/gold mining and the Company considers that its relevant skills in mine planning can be applied to coal mining, the Company is confident that, with its solid experience in operating mining business and investments in natural resources, it will be able to find an appropriate way to revitalize the operation of the Mines. In addition, it is the Company's plan to retain all the remaining employees of GCC LP (including key employees

experienced in the operation of GCC LP and coal mining) and recruit other necessary mining personnel, which the Company believes will facilitate the resumption of production of the Mines upon completion of the Acquisition.

Other than interests income from the Preferred New Financing, Sonicfield is also entitled to the Management Fee at specified rate from the revenue of CA Newco for the operation of the Mines. Additionally, CMBC, as a financial institution engaged in banking business, undertakes to provide the New CMBC Facility to CA Newco for an amount of not less than US\$410,000,000, which substantially covers most part of the Acquisition Consideration. Sonicfield only needs to provide New Financing to CA Newco for the value of US\$71,500,000 for consummation of the Transaction. However, Sonicfield has a right to share 50% of the remaining Net Cash Flow for repayment or redemption of the New Financing and payment of its fixed return and/or interest (if any) in accordance with the Restructuring Implementation Agreement, which is the same percentage of the remaining Net Cash Flow used for repayment of the New CMBC Facility. After the repayment of the New Financing, Sonicfield, as a shareholder owning 88% interests in the Purchaser Group, has right to share most of the growth value of the mining business to be operated by CA Newco.

New CMBC Facility is secured by certain charges and guarantees including fixed and floating charge over all present and future assets and undertakings of CA Newco. Sonicfield's exposure to CA Newco under the Preferred New Financing is further protected through intercreditor arrangement which will ensure higher rank of the Preferred New Financing compared to the New CMBC Facility.

The structure of the New Financing (being a combination of shareholders' loan and preference shares) was determined after arm's length negotiation with CMBC, taking into account (a) the cash flows of CA Newco and the objective to maintain a reasonable leverage level of CA Newco upon completion of the Acquisition and (b) the tax savings that CA Newco can enjoy by the use of preference shares (instead of loan) under Canadian tax rules.

The Directors consider the provision of the New Financing partially in the form of preference shares is in the interests of the Company and Shareholders as a whole for the following reasons:

- (a) the preference shares enjoy a fixed return of 8% and are to be mandatorily redeemed;
- (b) pursuant to the Net Cash Flow distribution, payment of fixed returns and redemption of the preference shares are parallel with the repayment of the New CMBC Facility;
- (c) under the intercreditor arrangement, the preference shares under Preference Share A Subscription (being the majority portion of Sonicfield's preference share subscription) rank before the New CMBC Facility in situations of insolvency and therefore Sonicfield's risk is covered to a large extent; and
- (d) use of preference shares allows a more tax efficient structure for CA Newco and any tax savings within the Purchaser Group will be in the interest of Sonicfield (being the majority shareholder of the Purchaser Group entitled to investment returns).

The entrance into the Transaction Documents signify the Group's commitment to complete the Transaction. Taken into account, among others, (a) the proposed aggregate consideration of the Transaction and its financing structure; (b) limited risk of the Group for the New Financing; and (c) viability of the Purchased Assets, completing the Transaction and operating the mining business might bring positive value to the Company in the long-run.

In light of the above, the Directors consider the terms of the Restructuring Implementation Agreement and the Asset Purchase Agreement are fair and reasonable and that the entry into of the Restructuring Implementation Agreement and the Asset Purchase Agreement and the Transaction are in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Transaction calculated under Rule 14.07 of the Listing Rules exceed 100%, the Transaction constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders at an EGM.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Transaction Documents and pass the requisite resolutions to approve the Transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the Transaction, and therefore, no Shareholder is required to abstain from voting on the resolution in connection with the Transaction.

A circular containing, among others, details of the Transaction, competent person's report and valuation report and the notice of EGM will be despatched to the Shareholders in compliance with the Listing Rules as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 27 December 2017 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 January 2018.

**Shareholders and potential investors should note that completion of the Transaction is subject to, among other things, the satisfaction (or waiver) of the conditions precedent, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

Unless the context requires otherwise, the following expressions have the meanings set out below in this announcement:

- “Acquisition” the proposed acquisition of the Property (including the Mines, mining assets and any deposit maintained with regulatory authorities) by way of the Sale Order;
- “Acquisition Consideration” the consideration to be provided to the Vendor pursuant to the Acquisition, details of which are set out in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Acquisition Consideration”;
- “Additional CMBC Facility” has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Financing of the Transaction”;
- “Additional New Financing” has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Financing of the Transaction”;
- “AER Security” all of the Vendor’s right, title and interest in and to the amount of approximately CAD\$30,000,000 in cash which is being held by the Alberta Energy Regulator in trust in respect of environmental and mine reclamation obligations related to the Mines, the Properties and the Purchased Business;
- “Affiliate” in relation to a party, any subsidiary or holding company of that party and any subsidiary of any such holding company, in each case from time to time;
- “Ancillary Interests” all of the Debtors’ right, title, estate and interest in and to all (a) right and title to enter, use, occupy, enjoy and access the surface of the Properties; (b) data, records, files, books or documents relating to the Properties or the Tangibles and (c) contracts, agreements, licenses, commitments relating to the Properties, the Tangibles or (a) and (b) as aforementioned;

“Asset Purchase Agreement”	an asset purchase agreement dated 22 December 2017 (Alberta time, after trading hours) and entered into between Sonicfield and the Vendor, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell and transfer the Purchased Assets;
“Assigned Loan”	the loan assumed by GCC Maple pursuant to the assignment agreement dated 27 June 2017 between CMBC as assignor and GCC Maple as assignee for assignment of part of the Facilities Agreement with outstanding amount of approximately US\$5,910,000;
“Books and Records”	all of the Vendor’s books and records relating to the Purchased Assets, including all technical and business records, all contracts, licenses, approvals, accounting records, maintenance and usage logs related to the Purchased Assets (but excluding personal information of employees, officers or directors);
“Business Day”	any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta or in Hong Kong, China;
“BVI Co”	a limited liability company to be incorporated in the British Virgin Islands and which shall be a direct wholly-owned subsidiary of Newco;
“CAD\$”	Canadian dollars, the lawful currency of Canada;
“CA Newco”	a limited liability company to be incorporated in Alberta or British Columbia of Canada and which shall be a direct wholly-owned subsidiary of HK Co, and is expected to engage in the business of mining of coking coal, production and sale of coking coal and related products upon completion of the Acquisition;
“Closing”	the transfer of possession, beneficial ownership and risks of the Purchased Assets from the Vendor to the Purchaser, the exchange of conveyance documents and payment of the Acquisition Consideration by the Purchaser to the Vendor, and all other items and consideration required to be delivered on the Closing Date;

“Closing Cash Amount”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Acquisition Consideration”;
“Closing Date”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Closing Date”;
“Closing Time”	10:00 a.m. (Calgary, Alberta time) on the Closing Date;
“CMBC”	China Minsheng Banking Corp., Ltd., Hong Kong Branch, a financial institution engaging in banking business, being a party independent from the Group;
“CMBC Director”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal Terms — Management of the Purchaser Group”;
“Collective Agreement”	the collective agreement made between the Vendor and the United Mineworkers of America Local 1656 with a term to 16 May 2018;
“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);
“Condition(s)”	conditions precedent to the implementation of the Transaction as set out in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Conditions precedent”
“connected person(s)”	has the meaning given to that term in the Listing Rules;
“Court”	Court of Queen’s Bench of Alberta;
“Debtors”	GCC LP and its general and limited partners;
“Deposits”	the First Deposit and the Second Deposit;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Transaction Documents and the transactions contemplated thereunder;

“Facilities Agreement”	the senior facilities agreement dated 1 March 2012 (as amended and restated by a first amendment deed dated 10 October 2012, a second amendment deed dated 14 December 2012 and a third amendment deed dated 10 December 2013 and amended by a fourth amendment deed dated 1 October 2014, a supplemental letter dated 24 August 2015 and a fifth amendment deed dated 2 September 2015 and amended and restated by a sixth amendment deed dated 24 December 2015 and as may be further amended, novated, supplemented, extended or restated from time to time) between, among others, GCC LP as borrower and CMBC as administrative agent, pursuant to which approximately US\$415,000,000 have been made available to the borrower;
“First Deposit”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Acquisition Consideration”;
“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;
“GCC Maple”	GCC Maple Holdings Ltd., a company incorporated under the laws of British Columbia, Canada. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, it is a party independent of GCC LP;
“GCC Remaining Liabilities”	the aggregate of (i) outstanding principal amount of US\$100,000 and (ii) the outstanding interest and default interest under the Old CMBC Facility in the amount of approximately US\$40,000,000;
“Group”	the Company and its subsidiaries;
“GST”	goods and services tax required to be paid pursuant to the Excise Tax Act (Canada);
“Guarantee”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Financing of the Transaction”;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;

“HK Co”	a limited liability company to be incorporated in Hong Kong and which shall be a direct wholly-owned subsidiary of BVI Co;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Insolvency Event”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Intercreditor arrangement”;
“Inventory”	all stockpiles of coal slurry (if any) located at the Mines;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Fee”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Management of the Purchaser Group”;
“Mines”	Grande Cache Coal mines located in Alberta, Canada;
“Minsheng E-Commerce”	has the meaning given to it in the section headed “Information about the parties — CMBC and MSDS”;
“MRAM”	has the meaning given to it in the section headed “Information about the parties — CMBC and MSDS”;
“MSDS”	MSDS Holding Limited, a company incorporated in the British Virgin Islands;
“Net Cash Flow”	in respect of a particular period, the aggregate cash inflow from operations (including interest income and other income) for that period less the aggregate operational cash outflows (including capital expenditure (in compliance with the approved budget), administration expenses, Management Fee, interest cost (but excluding any interest payable in respect of the New CMBC Facility, New Financing, Additional New Financing, and Additional CMBC Facility) and tax) for the same period;
“New CMBC Facility”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Financing of the Transaction”;

“New Financing”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Financing of the Transaction”;
“Newco”	a limited liability company to be incorporated in the Cayman Islands and which shall be the holding company of the Purchaser Group;
“Old CMBC Facility”	the facility made by CMBC to GCC LP under the Facilities Agreement with outstanding principal amount of US\$410,000,000;
“Permits”	any permits, consents, waivers, licences, leases, certificates, approvals, authorizations, registrations, franchises, rights, privileges, quotas and exemptions relating to operations on the Properties;
“Preference Share A Subscription”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (2) Principal terms of the New Financing — Facility”;
“Preference Share B Subscription”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (2) Principal terms of the New Financing — Facility”;
“Preferred New Financing”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (2) Principal terms of the New Financing — Facility”;
“Properties”	coal leases and certain lands and buildings of GCC LP;
“Property”	all of the assets including the Mines which are under the receivership proceeding pursuant to the Receivership Orders;
“Purchased Assets”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Purchased Assets”;
“Purchased Business”	the business of a coal mining operation previously carried on by GCC LP in Grande Cache, Alberta, Canada;
“Purchaser”	Sonicfield or a newly formed Canadian corporation to which Sonicfield assigned all of its right, title and interest in the Asset Purchase Agreement;

“Purchaser’s Aggregate Cost”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Conditions precedent”;
“Purchaser Group”	the group comprising Newco, BVI Co, HK Co and CA Newco, the structure of which is set out in the section headed “Restructuring Implementation Agreement — (1) Principal terms — Formation of the Purchaser Group”;
“Purchaser Group Member”	a member of the Purchaser Group;
“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 set out in the <i>Bankruptcy and Insolvency Act</i> , RSC 1985, c.B-3;
“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 <i>Bankruptcy and Insolvency Act</i> , RSC 1985, c.B-3;
“Receiver’s Loan”	the loan incurred by the Receiver for the maintenance of the Mines pursuant to Court orders under the Receiver’s Loan Agreement;
“Receiver’s Loan Agreement”	the loan agreement dated 22 December 2017 entered into between Sonicfield and the Receiver for providing interim financing of up to CAD\$35,000,000 to the Receiver for the maintenance of the Mines and other uses and premises pursuant to Court orders;

“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 Expenses”	all the restructuring fees and expenses incurred by Sonicfield and CMBC in respect of the Transaction (including legal costs and the Receiver’s fees and expenses);
“Restructuring Implementation Agreement”	a definitive agreement of the Transaction dated 22 December 2017 (Alberta time, after trading hour) and entered into between Sonicfield and CMBC, which sets out the respective rights and obligations of the parties and terms on which the Transaction shall be implemented;
“Reviews”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Conditions precedent”;
“Sale Order”	a sale approval and vesting order in respect of the Acquisition granted by the Court in a form satisfactory to Sonicfield, CMBC and the Receiver, acting reasonably;
“Second Deposit”	has the meaning given to it in the section headed “Asset Purchase Agreement — Principal terms of the Asset Purchase Agreement — Acquisition Consideration”;
“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;
“Sonicfield Director”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (1) Principal Terms — Management of the Purchaser Group”;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tangibles”	all of the Debtor’s right, title, estate and interest in and to the tangible depreciable property and assets located within or upon the Properties, including all mines and plants and all buildings, plants and other structures, fixtures and improvements, mobile equipment, and all other property, infrastructure, utilities, housing, rail-loading and roads;
“Term Loan”	has the meaning given to it in the section headed “Restructuring Implementation Agreement — (2) Principal terms of the New Financing — Facility”;
“Transaction”	has the meaning given to it in the section headed “Background”;
“Transaction Documents”	collectively, the Restructuring Implementation Agreement and the Asset Purchase Agreement;
“US\$ or USD”	United States dollars, the lawful currency of the United States of America;
“Vendor”	the Receiver in its capacity as court appointed receiver and manager of the Property and not in its personal capacity;
“%”	per cent.

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

Hong Kong, 5 January 2018

*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.*