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HE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD OF 2023 ( )

IN THE MATTER OF SECTIONS 14 TO 16 AND SECTION 86 OF THE COMPANIES ACT (2023 REVISION)

AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES (2023 REVISION)

AND IN THE MATTER OF AAG ENERGY HOLDINGS LIMITED

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PETITION

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To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of AAG ENERGY HOLDINGS LIMITED whose registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands (the *Company*) shows that:

1 Introduction

1.1 The objects of this Petition are to seek:

- (a) the sanction of the Court pursuant to section 86 of the Companies Act (2023 Revision) (the *Companies Act*) to a proposed Scheme of Arrangement (the *Scheme*) between the Company and the holders of the shares in and of the

Company in issue as of the Scheme Record Date other than those held by the Offeror (defined below) (the ***Scheme Shares***); and

- (b) the confirmation of the Court, pursuant to section 16 of the Companies Act, of the resolution of the Company's shareholders to reduce the Company's issued share capital to give effect to the Scheme, which is intended to be passed by the Company's shareholders as a special resolution as set out further at paragraph 9.2 below.

1.2 In this Petition:

- (a) "Scheme Document" means the composite document proposed to be sent to Shareholders which, amongst other things, contains details of the Scheme, an explanatory memorandum, and certain financial and general information of the Company; and
- (b) Defined terms shall have the meaning ascribed to them in the Scheme Document unless indicated otherwise.

## 2 Incorporation, Objects and Share Capital

2.1 On 23 December 2014, the Company was incorporated with the name of AAG Energy Inc. as an exempted company with limited liability pursuant to the Companies Act with registration number 294990. On 15 January 2015, the Company changed its name to its present name. The registered office of the Company is situated at PO Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's principal place of business in Hong Kong is situated at Unit 2506, 25/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong.

2.2 Pursuant to the Company's Second Amended and Restated Memorandum of Association adopted by way of special resolution passed on 20 May 2022 (the ***Memorandum***), the objects for which the Company was established are unrestricted (save for generally applicable statutory restrictions on its powers to trade in the Cayman Islands) and generally to carry out the objects more particularly described in paragraph 3 of its Memorandum.

- 2.3 The principal activities of the Company and its subsidiaries (together, the **Group**) are coal-bed methane (**CBM**) exploration and development in the People's Republic of China (**PRC**). Its key operating assets, the Panzhuang and Mabi concessions, are located in the Southwestern part of the Qinshui Basin, which has the largest proven CBM geological reserves in the PRC. The Company's Panzhuang concession is the most commercially advanced Sino-foreign CBM asset in the PRC and the first Sino-foreign CBM cooperative project to have entered full-scale commercial development and production.
- 2.4 The authorised share capital of the Company is US\$600,000 divided into 6,000,000,000 shares of a nominal or par value of US\$0.0001 each (each a **Share**). As at 17 February 2023 (the **Announcement Date**), the Company had 3,395,316,832 Shares in issue, all of which are fully paid.
- 2.5 The Shares of the Company have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the **HK Stock Exchange**) since 23 June 2015.
- 2.6 As at the Announcement Date, 1,935,728,886 Shares (representing approximately 57.01% of the issued share capital of the Company) were directly or indirectly owned by Liming Holding Limited (the **Offeror**) and parties acting in concert or presumed to be acting in concert with the Offeror (the **Offeror Concert Parties**) under the Hong Kong Code on Takeovers and Mergers (the **Takeovers Code**). The Offeror and the Offeror Concert Parties will not vote on the Scheme.
- 2.7 As at the Announcement Date, 1,459,587,946 Shares (representing approximately 42.99% of the issued share capital of the Company) were owned by shareholders other than the Offeror and the Offeror Concert Parties (the **Disinterested Scheme Shareholders**). The Disinterested Scheme Shareholders can vote on the Scheme.

### 3 Shareholder Profile

- 3.1 The profile of the Company's shareholders, as at the Announcement Date, was as follows:
- (a) The Offeror which is the registered holder of 1,933,704,886 Shares, representing approximately 56.95% of the Company's issued shares;
  - (b) The Offeror Concert Parties who collectively hold 2,024,000 Shares, representing 0.06% of the Company's issued Shares. The Offeror Concert Parties comprise:

- (i) Mr Ming Zaiyuan (**Mr Ming**) who does not hold any Shares in the Company but is an executive director and chairman of the board of directors of the Company, and is an indirect controlling shareholder in the Offeror (and thereby deemed to be interested in the Shares held by the Offeror);
  - (ii) Ms Zuo Na (**Ms Zuo**), being the spouse of Mr Ming, who is the holder of 2,024,000 Shares representing approximately 0.06% of the Company's issued Shares, and is presumed to be a party acting in concert with the Offeror; and
  - (iii) Mr Huang Min who does not hold any Shares in the Company but is deemed an Offeror Concert Party and is regarded as being interested in the Proposal for the purpose of Rule 2.8 of the Takeovers Code as he is both a non-executive director of the Company as well as the sole director of the Offeror.
- (c) 1,459,587,946 Shares held by other individuals and/or entities (i.e. the Disinterested Scheme Shareholders, not being the Offeror or an Offeror Concert Party), comprising approximately 42.99% of the Company's issued Shares.
- 3.2 The number of Shares of the Company in issue and the ownership of the same may fluctuate between the Announcement Date and the date of the sanction of the Scheme (if so sanctioned) as a result of the normal trading of the Shares.

#### 4 **Convertible Securities**

- 4.1 As at the date of the Petition, there are no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into shares in the Company.

#### 5 **Object and Mechanics of the Scheme**

- 5.1 The object of the Scheme is for the Offeror to hold the entire issued share capital of the Company upon the completion of the Scheme.
- 5.2 This is intended to be achieved by:

- (a) the Company reducing its share capital (the **Capital Reduction**) by the cancellation and extinguishment of the Scheme Shares in consideration of which each holder of the Scheme Shares as at the Scheme Record Date for the Scheme (**Scheme Shareholder**) will receive from the Offeror HK\$1.85 (the **Scheme Consideration**) for every Scheme Share so cancelled and extinguished;
- (b) subject to and immediately upon the Capital Reduction taking effect, the issued share capital of the Company being increased to its former amount by the issue of the same number of new ordinary shares, credited as fully paid at par, to the Offeror as the number of Scheme Shares cancelled and extinguished (**Increase of Capital**); and
- (c) the Company applying the credit in its books of account as a result of the Capital Reduction in paying up in full at par the newly issued shares to the Offeror.

5.3 The Scheme is conditional upon the Capital Reduction becoming effective.

5.4 Following implementation of the Scheme, the Company will apply to the HK Stock Exchange for the withdrawal of the listing of its Shares.

5.5 The Scheme is such that an intelligent and honest person, being a member of the Scheme Shareholders and acting in respect of his/her/its interests, might reasonably approve.

## 6 **Affected Shareholders**

6.1 The Scheme affects two classes of shareholders of the Company, being:

- (a) the Disinterested Scheme Shareholders, being the registered holders of Scheme Shares other than the Offeror Concert Parties; and
- (b) the Offeror Concert Parties.

## 7 **Court Meeting**

7.1 It is intended that a single meeting of the Disinterested Scheme Shareholders be convened for the purpose of allowing such Disinterested Scheme Shareholders to consider and, if they think fit, approve (with or without modification) the Scheme (the **Court Meeting**).

7.2 The resolution intended to be submitted at the Court Meeting is:

*“THAT this Court Meeting approves, with or without modification, the proposed Scheme of Arrangement, a print of which has been submitted to this Court Meeting and, for the purpose of identification, signed by the Chairman of this Court Meeting.”*

7.3 Disinterested Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date (as defined in the Scheme Document) will be entitled to attend and vote on the Scheme at the Court Meeting in person or by proxy. At the Court Meeting, Disinterested Scheme Shareholders present and voting either in person or by proxy will be entitled to vote their Scheme Shares in favour of the Scheme or against it.

7.4 Under the Takeovers Code, persons acting in concert or deemed to be acting in concert with the Offeror who are also Scheme Shareholders shall not vote on the Scheme for the purposes of satisfying the voting requirements of the Takeovers Code. As such, the Offeror Concert Parties (detailed further in the paragraph below) will not be entitled to vote on the Scheme at the Court Meeting and all Disinterested Scheme Shareholders will be entitled to vote at the Court Meeting.

7.5 The Offeror Concert Parties have agreed not to vote at the Court Meeting because they are, or are deemed to be, “acting in concert” with the Offeror pursuant to the Takeovers Code, which prohibits such “concert parties” from participating in the voting. These “concert parties” are comprised of:

- (a) Mr Ming;
- (b) Ms Zuo; and
- (c) Mr Huang.

7.6 The Offeror and the Offeror Concerted Parties have provided undertakings to the Company and to the Court to be bound by the Scheme and to do or procure to be done all acts and things necessary or reasonably desirable to be done for the purpose of giving effect to the Scheme. Accordingly, it is intended that any requirement for a formal meeting of the Offeror Concert Parties to consider and vote on the Scheme be waived.

## 8 Application

8.1 In relation to the Scheme, the Company intends to make an application for, amongst other things, certain orders and directions including the following:

- (a) that the relevant classes of shareholders of the Company affected by the Scheme are the Disinterested Scheme Shareholders and the Offeror Concert Parties;
- (b) that the Company be at liberty to convene the Court Meeting for the purpose of considering, and if thought fit, approving (with or without modification) the Scheme under section 86 of the Companies Act;
- (c) that the requirement for a formal class meeting of the Offeror Concert Parties for the purpose of considering, and if thought fit, approving (with or without modification) the Scheme under section 86 of the Companies Act, be waived on the grounds that the Offeror Concert Parties have agreed to be bound by the Scheme if sanctioned;
- (d) as to the mode of convening the Court Meeting and delivery of an explanatory memorandum and proxy forms to the Shareholders; and
- (e) as to the appointment of a chairperson of the Court Meeting, and for directions that the chairperson of the Court Meeting should report the results thereof to the Court.

## 9 Capital Reduction

9.1 In relation to the proposed Capital Reduction, Article 6 of the Company's Articles of Association provide that the Company may, by special resolution, reduce its share capital in any manner permitted by law and subject to any conditions prescribed by the Companies Act.

9.2 The Company intends to convene an Extraordinary General Meeting (**EGM**) to take place immediately after the meeting of the Court Meeting at which it is intended to submit a special resolution to confirm the Capital Reduction pursuant to the Scheme and an ordinary resolution to approve the Increase of Capital. The special resolution intended to be submitted to the EGM to approve the Capital Reduction is as follows:

1. **“THAT:**

(a) *pursuant to a scheme of arrangement dated [•] 2023 (the “Scheme of Arrangement”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and*

(b) *any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose; and subject to the Scheme of Arrangement having become effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is hereby approved.”*

9.3 The ordinary resolution intended to be submitted to the EGM to approve the Increase of Capital as follows:

2. **“THAT:**

(a) *subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid, the same number of new ordinary shares of US\$0.0001 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;*

*(b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and*

*(c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”*

9.4 The Scheme and the Capital Reduction involve neither the diminution of liability in respect of any unpaid share capital nor the payment to any shareholder of any paid up share capital or alternation of the underlying assets, business operations, management or financial position of the Company and will have no effect on the creditors of the Company. The Increase in Capital will occur immediately following the Capital Reduction. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business following completion of the Scheme. Given that the Capital Reduction will have no impact (adverse or otherwise) on the interests of the Company’s creditors, the Honourable Court is respectfully requested to dispense with the requirements to either settle a list of creditors or to advertise the Petition.

9.5 The Capital Reduction is for a discernible purpose, and its terms and effect will be properly explained to shareholders of the Company a sufficient time prior to the EGM so as to ensure that shareholders are treated equitably.

9.6 The form of minute proposed to be registered with the Cayman Islands Registrar of Companies is as follows:

*The issued share capital of AAG Energy Holdings Limited (the “Company”) was by virtue of a special resolution of the Company dated [•] 2023 (the “Special Resolution”) and with the confirmation of an order of the Grand Court of the Cayman Islands dated [•] 2023 (the “Order”)*

*reduced from US\$ [•] divided into [•] shares of US\$0.0001 par value each, to US\$ [•] divided into [•] shares of US\$ 0.0001 par value each (the “Reduction of Capital”). An ordinary resolution of the Company dated [•] (the “Ordinary Resolution”) further provides that subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company be increased to its former amount of US\$ [•] by the issue of [•] shares of US\$ [•] each.*

*By virtue of a Scheme of Arrangement sanctioned by an order of the Grand Court of the Cayman Islands dated [•] 2023, the Order, the Special Resolution, and the Ordinary Resolution, the issued share capital of the Company at the time of the registration of this minute is accordingly US\$ [•] divided into [•] shares of US\$ [•] each. The authorised share capital of the Company on the registration of this minute is US\$ 600,000 divided into 6,000,000,000 shares of a nominal or par value of US\$ 0.0001 each.*

**YOUR PETITIONER, THE COMPANY, THEREFORE HUMBLY PRAYS THAT:**

- 1 That the Scheme to be approved at the Court Meeting to be convened at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding on the Company and the Scheme Shareholders.
- 2 That the Capital Reduction proposed to be effected by the special resolution set out in paragraph 9.2 above be confirmed and that the form of minute set out at paragraph 9.6 above be approved by the Court.
- 3 That the preparation of a list of creditors be dispensed with.
- 4 Such further or other relief as the Court shall see fit.

**AND** your Petitioner will ever pray etc.

Dated this 10<sup>th</sup> day of March 2023



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**Harney Westwood & Riegels**

**Attorneys-at-Law for the Petitioner**

**NOTE:** This petition is not intended to be served on anyone.

**THIS PETITION** was presented by Harney Westwood & Riegels, Attorneys-at-Law for the Petitioner, whose address for service is 3rd Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands (Ref: 059811-0001-CAR/JNW).

**NOTICE OF HEARING**

**TAKE NOTICE THAT** the hearing of this Petition will take place at the Law Court, George Town, Grand Cayman, Cayman Islands on \_\_\_\_\_ at \_\_\_\_\_ am/pm.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Service Division of the Grand Court at PO Box 495, George Town, Grand Cayman KY-1106, Cayman Islands; Tel: 3459494296