



**VIBRANT GROUP LIMITED**

Company Registration Number: 198600061G

---

**Series 003 S\$66,000,000 7.50 per cent. Notes Due 2020 (ISIN: SG7HH5000008) (the “Notes”)  
Issued Under the S\$500,000,000 Multicurrency Debt Issuance Programme (the “Programme”)  
Established by Vibrant Group Limited (the “Company”)**

---

**1. Consent Solicitation by the Company in connection with the Notes**

The Company (together with its subsidiaries, the “**Group**”) refers to the notice of meeting dated 4 October 2018 (the “**Notice**”) published in *The Business Times* and released in conjunction with this announcement on SGXNET. The Notice is issued by the Company to the holders of the Notes (the “**Noteholders**”) for purposes of a consent solicitation (the “**Consent Solicitation**”) by the Company in connection with the Notes.

Capitalised or other terms used but not defined herein shall, unless the context otherwise requires, have the meanings as set out in the Consent Solicitation Statement dated 4 October 2018 in relation to the Consent Solicitation.

Under the Consent Solicitation, the Company is inviting Noteholders to approve, *inter alia*, subject to the occurrence of the effective date, as follows:

- (a) the waiver of any non-compliance or potential non-compliance with Clause 7.2.3 of the Trust Deed and Condition 4(b)(iii) of the Notes for the Test Periods ending on 31 October 2017, 30 April 2018, 31 October 2018 and 30 April 2019;
- (b) amendments to Clause 7.2.3 of the Trust Deed and Condition 4(b)(iii) of the Notes (and the applicable definitions);
- (c) amendments to Clause 16.29 and Clause 16.30, and addition of a new mandatory redemption provision, that would allow the Company to sell for cash all of the shares that it owns in Sabana Investment Partners Pte. Ltd., provided that (i) upon the completion of the sale of any of the Sabana Investment Shares (as defined in the Second Supplemental Trust Deed), all of the net proceeds in respect of such sale shall be deposited into an escrow account held by an escrow agent, and such escrow account shall be charged in favour of the Trustee, in each case for the benefit of the Trustee and Noteholders, and (ii) such net proceeds shall be used to redeem the Notes (pro rata, if such net proceeds are insufficient to redeem the Notes in full);
- (d) the waiver of any requirement, covenant and term in the Trust Deed and the Notes that would be breached as a result of or arising in connection with the Blackgold Events;
- (e) the waiver of the occurrence of any Event of Default or, as the case may be, Potential Event of Default as described therein,

all as more fully described in the Notice.

A copy of the Consent Solicitation Statement relating to the Consent Solicitation will be mailed to the Noteholders with an address in Singapore. The Consent Solicitation Statement does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities of the Company or any other entity.

The distribution of the Consent Solicitation Statement may nonetheless be restricted by law in certain jurisdictions. In order to avoid any violation of laws applicable in countries other than Singapore, the Consent Solicitation Statement has not been and will not be mailed to Noteholders who do not currently have an address in Singapore (“**Foreign Noteholders**”). Foreign Noteholders who wish to obtain a copy of the Consent Solicitation Statement should provide in writing an address in Singapore to Tricor Singapore Pte. Ltd. (trading as Tricor Barbinder Share Registration Services), as meeting agent for the Consent Solicitation (the “**Meeting Agent**”), no fewer than five Business Days before the Expiration Time.

In addition, Noteholders may collect copies of the Consent Solicitation Statement from the office of the Meeting Agent, at 80 Robinson Road, #11-02, Singapore 068898, from 4 October 2018, between 9.00 a.m. and 5.00 p.m. (Singapore time) from Mondays to Fridays (excluding public holidays), up to 10.00 a.m. (Singapore time) on 24 October 2018.

Questions or requests for assistance in connection with voting at the Meeting and/or the submission or delivery of Voting Instructions may be directed to the Meeting Agent during normal office hours (as specified above) at its address, e-mail address and telephone number set forth on the back cover of the Consent Solicitation Statement.

**Shareholders of the Company who are not otherwise Noteholders will not be eligible to attend or vote at the Consent Solicitation either in person or by proxy.**

## **2. Relevant information from the Consent Solicitation Statement relating to the Group**

In connection with the Consent Solicitation, the Company is providing Noteholders with recent information of the Group in the Consent Solicitation Statement. For purposes of transparent and timely dissemination of information to Shareholders and potential investors, and given that certain aforesaid information may not have been previously furnished to Shareholders, an extract of the relevant information from the Consent Solicitation Statement relating to the Group is also attached to this announcement.

## **3. CAUTION IN TRADING**

**Shareholders are advised to exercise caution in trading their Shares and Noteholders are advised to exercise caution in trading their Notes. There is no certainty or assurance as at the date of this announcement that the waivers will be obtained by the Company. The Company will make further announcements as appropriate or when there are further developments. Shareholders and Noteholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders and Noteholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.**

By Order of the Board  
**Vibrant Group Limited**

Eric Khua  
Executive Director & CEO  
4 October 2018

## **Risk Factors**

*You should consider carefully the following risks and all of the other information set forth in this Consent Solicitation Statement, before casting your vote in favour of or against the Extraordinary Resolution proposed at the Meeting. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the business, financial condition, results of operations and prospects of the Issuer or the Group or any decision in respect of the Proposal. Additional risks which the Issuer is currently unaware of may also impair the business, financial condition, results of operations and prospects of the Issuer or the Group. If one or more of the following risks actually occur, the business, financial condition, results of operations and prospects of the Issuer or the Group, or the Issuer's ability to make interest and/or principal payments, or redeem the Notes under the Proposal could be materially adversely affected. In that event, you may lose all or part of your investment in the Notes.*

*Noteholders should not rely on the information set out herein as the sole basis for any decision in relation to the Proposal but should seek appropriate and relevant advice concerning the appropriateness of a decision in relation to the Proposal for their particular circumstances.*

### **1 Risks if the Extraordinary Resolution is Not Passed**

***If the Extraordinary Resolution is not passed, the Issuer may default on the Notes and on all or substantially all of its other existing indebtedness.***

If Noteholders do not pass the Extraordinary Resolution, the Issuer may not be able to comply with the financial and other covenants under the Notes, and/or an Event of Default may occur or subsist. Accordingly, the Issuer may default on the Notes and the Issuer may not be in a position to repay the principal of any of the Notes if the Notes become immediately repayable. Such default may also trigger cross default and/or cross acceleration clauses in the Group's loan agreements relating to a substantial amount of the Group's other indebtedness that may allow the creditors to accelerate repayment on such other indebtedness, and enforce on the Group's assets that constitute those creditors' security for their respective indebtedness. In addition, the counterparties of the Group's material contracts may also be entitled to terminate such contracts, which would materially and adversely affect the Group's business, financial condition, results of operations and prospects. It is unclear whether Noteholders will be able to recover any or all of their investments in the Notes in such circumstances.

As mentioned above, secured creditors may enforce / foreclose on the assets over which security interests have been granted. Noteholders and other unsecured creditors may also commence litigation against the Issuer and its subsidiaries, which may adversely affect the Issuer's ability to meet its obligations under the Notes, and which could also materially and adversely affect the Group's business, financial condition, results of operations and prospects. Judgments obtained against the Issuer and its subsidiaries from such litigation could also be enforced against the unsecured assets of the Issuer and its subsidiaries.

The Issuer would also, in all likelihood, be unable to pay its debts as they fall due, and hence be deemed insolvent. In addition to the abovementioned risks of default, acceleration, enforcement and litigation, the Issuer would also be susceptible to issuances of statutory demands from its creditors, as well as winding up or judicial management proceedings being taken out against it by those creditors.

***Noteholders may not realise any recovery if the Notes are accelerated.***

If the Notes are accelerated and a demand is made on the Issuer to make payment of all amounts due under the Notes, it is likely that the Issuer would not be able to make such payment. Consequently, if a judicial manager or a liquidator is appointed with respect to the Issuer, there are likely to be various consequences that would make it more likely for Noteholders to recover less than what Noteholders would have recovered if the Extraordinary Resolution had been passed.

For example, it is likely that customers of the Group will begin to terminate contracts with the Group that are in effect, the Group would likely be subject to various liquidated damages, the Group would find it more difficult to collect its accounts receivables, and the Group's contingent liabilities would likely crystallise. In addition, it would be difficult to sell the Group's assets at commercially reasonable prices and terms.

Any appointment of a judicial manager or liquidator would also create a new class of creditors that do not currently exist, including financial advisory, banking, liquidation, accounting, legal and other professionals that would be involved in any judicial management and liquidation proceedings.

In addition, judicial management and liquidation proceedings may take a substantial time period to complete before payments to the creditors (if any) are declared, and there is no assurance that Noteholders would be able to recover in a reasonable time period all amounts, or a reasonable amount due to Noteholders, or at all.

***Noteholders may not be able to take any direct enforcement action against the Issuer.***

Clause 9 of the Trust Deed and Condition 11 of the Notes provides that at any time after an Event of Default has occurred or after the Notes have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, together with accrued interest, and the provisions of the Issue Documents. However, Clause 9 of the Trust Deed and Condition 11 of the Notes further provides that the Trustee is not bound to take any such proceedings unless (a) directed by an extraordinary resolution passed by Noteholders or the Trustee has been requested to do so in writing by holders of not less than 25 per cent. in principal amount of the Notes outstanding, and (b) the Trustee has been indemnified and/or secured and/or pre-funded to its satisfaction.

Accordingly, if Noteholders wish to instruct the Trustee to institute proceedings against the Issuer to enforce repayment of the Notes, together with accrued interest, the requisite threshold of instruction by the Noteholders must be met. In addition, the Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before the Trustee takes any action on behalf of Noteholders. Negotiating and agreeing to such an indemnity, security or pre-funding can be a lengthy process and may have an impact on when such action can be taken.

Clause 9 of the Trust Deed and Condition 11 of the Notes also provide that Noteholders shall not be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

## **2 Risks if the Extraordinary Resolution is Passed**

***The Extraordinary Resolution, if passed, will be binding on all Noteholders, including the waiver of all claims against the Issuer.***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the Meeting and Noteholders who voted in a manner contrary to the majority.

Accordingly, if the Extraordinary Resolution is passed at the Meeting of Noteholders (or if applicable, any adjourned Meeting), the matters set out in such Extraordinary Resolution shall be binding upon all Noteholders whether present or not present at such Meeting and each Noteholder will be bound by that Extraordinary Resolution. This includes the waiver of all claims against the Issuer, including but not limited to claims resulting from any Event of Default or Potential Event of Default relating to the Notes as specified in the Extraordinary Resolution.

### **3 Risks Relating to the Group**

***There may be a substantial doubt about the Group's ability to continue as a going concern.***

The Issuer's consolidated financial statements as of and for FY2016, FY2017 and 3Q2018 have been prepared on the assumption that the Issuer will continue as a going concern. In addition, the Issuer's consolidated financial statements as of and for FY2018 are expected to be prepared on the assumption that the Issuer will continue as a going concern. However, there cannot be any assurance that the Issuer or the Group will be able to continue as a going concern.

The Issuer's independent auditor has not completed its audit of the Issuer's consolidated financial statements as of and for FY2018. There cannot be any assurance that the Issuer's auditor will issue an unqualified audit report on the Issuer's consolidated financial statements as of and for FY2018, or that the audit report will not raise substantial doubt regarding the Issuer's or the Group's ability to continue as a going concern.

***The Issuer may record a net loss in FY2018 and may experience net losses in the future.***

The Group may record a net loss in the financial year ending 30 April 2018, principally because the Issuer may be required to make various provisions and write offs in connection with investments in the Blackgold Group, the amounts of which may be significant. See "The Proposal—Background to the Proposal" for a description of the financial effects that the Blackgold Group had in relation to the Issuer's unaudited financial statements for 3Q2018.

In addition, there cannot be any assurance that the Issuer will not incur additional net losses in the future, or that the net loss will not further increase when the audit for the financial statements for the financial year ending 30 April 2018 is completed, or that the Issuer will generate positive cash flow or achieve or sustain profitability in the future. See "Appendix E – Unaudited Financial Statements for the Third Financial Quarter and the Nine Months Ended 31 January 2018 of Vibrant Group Limited and its Subsidiaries" for more information on the Issuer's results of operations and financial condition as of and for the nine months ended 31 January 2018.

***The Issuer may not be able to obtain waivers from all of its bank lenders .***

The Issuer is in the process of obtaining waivers from bank lenders who have made loans to members of the Group in connection with the Irregularities, the PRC Litigation and any cross defaults (whether in relation to other loans, the Notes or otherwise). There can be no assurance that the bank lenders will provide such waivers. If such waivers are not granted, the Issuer may default on the relevant loans and may not be in a position to pay any interest on, or repay the principal of, any of such loans. Such defaults may also trigger cross default and/or cross acceleration clauses in the Notes and the Group's other loan agreements relating to a substantial amount of the Group's other indebtedness that may allow the creditors to accelerate repayment on such other indebtedness, and enforce on the Group's assets that constitute those creditors' security for their respective indebtedness. In addition, the counterparties of the Group's business contracts may also be entitled to terminate such contracts, which would materially and adversely affect the Group's business, financial condition, results of operations and prospects. It is unclear whether Noteholders will be able to recover any or all of their investments in the Notes in such circumstances.

## The Proposal

### 1. Background to the Proposal

The Issuer provides the following services:

- **Logistics Services Business**, comprising the provision of integrated logistics solutions for customers worldwide, including freight forwarding, chemical logistics solutions for the petrochemical industry, warehousing property management and logistics services and document storage and management services;
- **Financial Services Business**, comprising the business of fund management, financial leasing services and asset and trust management services; and
- **Real Estate Business**, comprising the business of property management, property development and property investment.

On 13 July 2017, the Issuer acquired the entire issued and paid-up ordinary shares in the capital of BIH. BIH is a Chongqing, PRC-based producer of thermal coal predominantly sold for industrial power generation to power plant customers in Shanghai. BIH owns four underground thermal coal mines, strategically located near the Yangtze River, and operates through its controlled entities wholly-owned by Blackgold Holdings Hong Kong Limited, an investment holding company. BIH is also engaged in the commodity logistics and coal trading business. In respect of the commodity logistics business, the Blackgold Group operates its barges along the Yangtze River and generates revenue from the transport of material such as stones, ore, cement, coal and other minerals. The coal trading business specialises in the purchase and resale of coal, where coal is primarily purchased from third party suppliers.

#### *The Irregularities*

Following the Group's acquisition of the Blackgold Group, the auditors of BIH were changed to KPMG Huazhen (Chengdu) on 11 May 2018, in order to streamline the audit process of the Group as the Group's auditors are KPMG LLP (the "**Auditors**"). The Auditors worked with KPMG Huazheng to ensure that the audit procedures on the consolidated financial statements of BIH would be satisfactorily completed and the relevant disclosures would be in compliance with Singapore Financial Reporting Standards, resulting in the audit of such financial statements not being concluded before the deadline to release the Issuer's full year consolidated financial statements. In addition, more time was also required to complete the purchase price allocation for the acquisition of the Blackgold Group and to properly account for the fair values of the net identifiable assets and liabilities of the Blackgold Group. Therefore, on 27 June 2018, the Issuer requested for an extension of time to release the Issuer's consolidated financial statements for FY2018 until 29 July 2018.

Subsequently, the Auditors were unable to complete their audit of the Group's financial statements for FY2018, principally because, during the audit of certain PRC subsidiaries of BIH, namely Chongqing Heijin Industrial Co., Ltd ("**Chongqing Heijin**"), Chongqing Caotang Coal Mine Resources Development Co., Ltd ("**Chongqing Caotang**"), and Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd ("**Chongqing Guoping Heiwan**" and, collectively, the "**Affected BIH Subsidiaries**"), the Auditors identified certain irregularities and discrepancies in respect of coal mining and coal trading receipts and sales invoices. In addition, the Auditors recommended to the Issuer's audit committee that the Auditors carry out additional procedures on BIH's balance sheet as at the date of its acquisition to ascertain the existence, accuracy and completeness of the assets and liabilities acquired. The board of directors of the Issuer authorised the audit committee to appoint a special auditor (the "**Special Auditor**") to carry out a fact finding investigation into such irregularities as well as the assets and accounting records of all of the BIH subsidiaries (the "**Special Audit**").

Under the Trust Deed, the Issuer is required: (i) within 150 days after 30 April 2018 (which is 27 September 2018) to send a copy of its annual report and audited accounts (both consolidated and unconsolidated) as at the end of and for that financial year, and (ii) within 45 days (or such longer period as the SGX-ST may allow the Issuer for the announcement of such financial statements) after 31 July 2018 (which is 14 September 2018) to send to the Trustee a copy of its unaudited quarterly accounts as at the end of and for the financial quarter ended 31 July 2018.

On 26 July 2018, the Issuer announced that it had made additional applications to the SGX-ST for extensions of time to release its unaudited financial statements for FY2018 from 29 June 2018 to 31 October 2018, to hold its annual general meeting from 29 August 2018 to 31 December 2018 and release its unaudited financial statements for 1Q2019 from 14 September 2018 to 14 November 2018. In light of these additional applications, on 7 September 2018, the Issuer also announced that it had applied for, and received, approval from the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) for an extension of time to lay its financial statements for FY2018 at an AGM to be held no later than 30 October 2018.

The SGX-ST has not approved of the additional applications, including the extension of time for the Issuer to release its unaudited financial statements for 1Q2019 from 14 September 2018 to 14 November 2018. The Issuer did not send a copy of its 1Q2019 financial statements to the Trustee by 14 September 2018, as required by Clause 16.5(iii) of the Trust Deed because the Issuer is of the view that it is prudent that the 1Q2019 financial statements be released only after the audit of the financial statements of the Issuer for the financial year ended 30 April 2018 is finalized and issued.

Under the Trust Deed, a Potential Event of Default is an event which with the giving of notice and/or lapse of time and/or the issuing of a certificate and/or the fulfillment of any other requirement or condition is likely to become an Event of Default.

On 10 August 2018, the Issuer was informed that certain accounting records (“Records”) of Chongqing Heijin were being transported by a motor vehicle when the vehicle caught fire near the coal mine operated by Chongqing Caotang. This incident was reported to the local police as a suspected deliberate act to destroy the Records (the “Fire Incident”). Following the Fire Incident, the Issuer managed to secure computers found in the offices of the PRC subsidiaries of BIH, together with the accounting records for the months of May, June and July 2018 in respect of certain PRC subsidiaries of BIH.

The Issuer finalized the terms of reference of the Special Audit with the SGX-ST and announced on 21 August 2018 that it would be appointing Ernst & Young Advisory Pte Ltd as the Special Auditor. Prior to any findings arising from the Special Audit, the Issuer’s board of directors is not in a position to definitively quantify the financial effects of the Irregularities on its FY2018 unaudited consolidated financial statements. The results of the Special Audit may require the Issuer to make various provisions and write offs in its FY2018 audited consolidated financial statements, the amounts of which may be significant.

The following figures are provided for the purpose of illustrating the contribution of the Blackgold Group to the latest announced unaudited financial results of the Group for 3Q2018:

	<b>Group (S\$’000)*</b>	<b>Blackgold (S\$’000)</b>	<b>Percentage contribution of Blackgold to Group</b>
<b>Total Assets</b>	1,357,458	318,868	23.5%
<b>Net Assets</b>	526,517	175,996	33.4%
<b>Total Revenue</b>	436,790	303,946	69.6%
<b>Net Profit</b>	128,125	2,645	2.1%

<b>Net Profit (excluding negative goodwill)**</b>	4,257	2,645	62.1%
---	-------	-------	-------

\* Based on 3Q2018 unaudited consolidated financial statements of the Group, as announced on 14 March 2018.

\*\* Negative goodwill is the excess of the fair value of net identifiable assets of Blackgold over the Group's cost of acquiring Blackgold.

Based on the latest announced unaudited financial results of the Group for the nine months ended 31 January 2018, the carrying value of the Group's investment in BIH is S\$176.0 million. The carrying value is primarily derived by aggregating the equity investment (S\$42.1 million), negative goodwill (S\$123.9 million), and post-acquisition profits (S\$2.6 million) of the Group attributable to BIH.

As at 31 January 2018, there are outstanding inter-group loans of S\$22.6 million made to the Blackgold Group. As of the date of this Consent Solicitation Statement, the Group (other than members of the Blackgold Group) has not provided any guarantees or other security in respect of the bank borrowings, loans, debts or other liabilities of the Blackgold Group.

Prior to any findings arising from the Special Audit, the Board is not in a position to definitively quantify the financial effects of the Irregularities on its FY2018 unaudited consolidated financial statements. Based on the information currently available to the Board in respect of the Irregularities, the Board anticipates that in the scenario where the Irregularities are found to be not just in respect of the Affected BIH Subsidiaries, but in respect of all of the Blackgold Group, a reversal of all revenues arising from the Blackgold Group's coal mining and coal trading business for 3Q2018 would have the following effect:

	<b>Group (S\$'000)*</b>	<b>Group after adjustments** (S\$'000)</b>	<b>Percentage decrease due to the adjustments**</b>
<b>Revenue</b>	436,790	132,844	(69.6%)
<b>Cost of sales</b>	386,011	89,205	(76.9%)
<b>Trade and other receivables (current)</b>	225,002	141,682	(37.0%)
<b>Negative goodwill</b>	123,868	-	(100.0%)
<b>Net profit</b>	128,125	1,612	(98.7%)

\* Based on 3Q2018 unaudited consolidated financial statements of the Group, as announced on 14 March 2018.

\*\* Adjustments for the estimated impact of the Irregularities.

### ***The PRC Litigation***

As of the date of this Consent Solicitation Statement, the Issuer has been notified of three separate legal proceedings brought by China Minsheng Banking Corporation Limited (Chongqing branch) ("**Minsheng**") against certain PRC subsidiaries of BIH (the "**Existing Legal Proceedings**").

#### Existing Legal Proceedings No. 1

On 6 August 2018, the Issuer was notified by Chongqing Heijin and Chongqing Caotang that Minsheng had successfully applied to the Chongqing No.1 Intermediate People's Court (the "**Intermediate Court**") for an order to freeze bank deposits amounting to an aggregate of RMB80,000,000 or freeze other assets of Chongqing Heijin and Chongqing Caotang amounting to an equivalent value, in anticipation of future litigation. Following the issue of the court order, the following assets were frozen: certain bank accounts of Chongqing Heijin, all mining rights of Chongqing Caotang for a period of three

years and 100% of the shares of Chongqing Guoping Shangmao Trading Co., Ltd. that were held by Chongqing Heijin for a period of three years.

However, as of the date of this Consent Solicitation Statement, Chongqing Heijin and Chongqing Caotang have yet to be served with the relevant court papers. Hence, it remains unclear as to the cause of action and remedy Minsheng is seeking against Chongqing Heijin and Chongqing Caotang in respect of such legal proceedings.

#### Existing Legal Proceedings No. 2

On 10 September 2018, the Issuer announced that it had been further notified of a law suit filed by Minsheng in the Chongqing People's High Court (the "**High Court**") against 12 parties (collectively, the "**Defendants**"), of which eight are subsidiaries of BIH (including Chongqing Heijin and Chongqing Caotang). Minsheng alleges that the Defendants failed to comply with certain payment and guarantee obligations, amongst others, under the finance documents relating to a RMB 500,000,000 loan facility (the "**Minsheng Loan**") granted by Minsheng to Chongqing Heijin, for which the Defendants had provided security.

Minsheng is seeking remedies that include: (a) repayment of principal amounting to RMB341,880,000 plus interest; (b) that certain Defendants be held jointly and severally liable for such amounts; and (c) that Minsheng be given priority over the proceeds of enforcement of certain assets that were charged by certain Defendants as security for the Minsheng Loan. The Defendants are seeking legal advice and will be making an application to the High Court to review the evidence submitted by Minsheng in connection with such legal proceedings. The Defendants will also take all necessary action to defend their interests in the law suit.

#### Existing Legal Proceedings No. 3

On 14 September 2018, the Issuer announced that it had been notified of Minsheng's successful application to the Intermediate Court against 11 parties (collectively, the "**Respondents**"), of which eight are subsidiaries of BIH, for an order to freeze, seize or detain bank deposits and other assets of the Respondents amounting to an aggregate value of RMB 39,650,000 (the "**Freezing Order**").

The eight subsidiaries are: (i) Chongqing Heijin; (ii) Chongqing Caotang; (iii) Qijiang Changhong Coal Industry Co., Ltd ("**Qijiang Changhong**"); (iv) Chongqing Guoping Heiwan; (v) Chongqing Baolong Mining Co., Ltd ("**Chongqing Baolong**"); (vi) Chongqing Guoping Shipping Transportation Co., Ltd; (vii) Chongqing Blackgold Mining Co., Ltd ("**Chongqing Blackgold**"); and (viii) Chongqing Guoping Shangmao Trading Co., Ltd ("**Chongqing Guoping Shangmao**") (collectively, the "**Blackgold Respondents**").

The Issuer understands that the remaining three Respondents (collectively, the "**Non-Blackgold Respondents**") include Yuguo Peng, the chairman of the Blackgold Group who had been placed on leave pending the outcome of the Special Audit and two of his associates.

According to the terms of the Freezing Order, the Freezing Order is made in connection with a law suit filed by Minsheng in the Intermediate Court regarding an alleged contractual dispute of a loan agreement (the "**Law Suit**"). The Board understands that none of the Blackgold Respondents have yet to be served with the relevant court papers in relation to the Law Suit and it is unclear which loan agreement entered into with Minsheng that is the subject of the Law Suit.

The Blackgold Respondents, in consultation with the Issuer, are seeking legal advice. In addition, the Issuer has been advised by its PRC counsel that the Law Suit appears to be distinct from PRC Litigation No.1 and PRC Litigation No. 2, as described above. The Blackgold Respondents intend to make an

application to the Intermediate Court to inspect the documents submitted by Minsheng in connection with the Freezing Order to ascertain this point. The Blackgold Respondents also intend to take all necessary action to defend their interests in the Law Suit.

In connection with the Freezing Order, the following assets of two Blackgold Respondents have been frozen for a period of three years:

- (a) 100% of the issued shares of each of Chongqing Blackgold, Chongqing Caotang and Chongqing Heiwan, all of which are wholly owned subsidiaries of Chongqing Guoping Shangmao, for the period from 6 September 2018 to 5 September 2021; and
- (b) 100% of the issued shares of each of (i) Chongqing Baolong for the period from 6 September 2018 to 5 September 2021 and (ii) Qijiang Changhong for the period from 7 September 2018 to 6 September 2021, both of which are wholly owned subsidiaries of Chongqing Blackgold.

For the avoidance of doubt, the Group (excluding members of the Blackgold Group) has not provided any guarantee or security in respect of the bank borrowings (including the Minsheng Loan), loans, debts or other liabilities of the Blackgold Group and there is no recourse from Minsheng to the Issuer in relation to the Existing Legal Proceedings.

Pending the receipt of the relevant court papers in respect of Existing Legal Proceedings No.1 and Existing Legal Proceedings No.3, and the application by PRC lawyers to the relevant courts to review the evidence and documents submitted by Minsheng in respect of Existing Legal Proceedings No. 2 and Existing Legal Proceedings No. 3, the details concerning the causes of action and facts relied upon by Minsheng in bringing the Existing Legal Proceedings remain unclear. Further, the Issuer does not rule out the possibility that there may be further legal proceedings against the various PRC subsidiaries of BIH brought by Minsheng or other banks in the PRC which have granted loans to the PRC subsidiaries of BIH. For the purposes of this Consent Solicitation Statement, the term “**PRC Litigation**” shall refer to both the Existing Legal Proceedings and any future legal proceedings brought against the PRC subsidiaries of BIH.

In light of the Irregularities and the PRC Litigation described above and their potential consequences, the Issuer is proposing to obtain a waiver for any non-compliance or potential non-compliance with various provisions of the Trust Deed and the Notes, and obtain approval of Noteholders to make certain amendments to the Trust Deed and the Notes (including, but not limited to, the amendments to the financial covenants). See “Terms of the Proposal” for further details of the proposal.