

13 February 2025

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

This purpose of this circular is to provide you with, among other things, (i) details of the Share Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate); (ii) the Whitewash Waiver; (iii) a letter of advice from the Takeovers Code Independent Board Committee and a letter of advice from the Listing Rules Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; and (v) a notice of EGM together with the form of proxy, to enable you to make an informed decision on whether to vote in favour or against the proposed resolutions at the EGM.

THE SHARE SUBSCRIPTION

On 30 December 2024 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and allot, and the Subscriber has conditionally agreed to subscribe for, 1,621,717,000 Subscription Shares at the Subscription Price of HK\$0.20 per Subscription Share for a total consideration of HK\$324,343,400 in cash.

The principal terms of the Subscription Agreement are set out below.

The Subscription Agreement

Date	30 December 2024
Parties	(a) the Company (as issuer) (b) the Subscriber (as subscriber)
Subscription Price per Subscription Share	HK\$0.20
Aggregate Subscription Price	HK\$324,343,400
Aggregate nominal value of Subscription Shares	HK\$162,171,700

The Subscription Shares

The Subscription Shares which will be issued upon Completion represent:

- (a) approximately 50% of the issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 33.33% of the issued share capital of the Company as enlarged by the issuance and allotment of the Subscription Shares, assuming there is no other change to the share capital of the Company from the Latest Practicable Date up to the Completion Date.

The Subscription Shares shall be issued and allotted pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Ranking

The Subscription Shares, when issued and allotted, shall rank *pari passu* in all respects among themselves and with the Shares in issue (including the rights as to dividends, voting and return of capital). Holders of the Subscription Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with reference to a record date falling on or after the date of issuance and allotment of the Subscription Shares.

The Subscription Price

The Subscription Price represents:

- (a) a discount of approximately 3.5% to the closing price of HK\$0.207 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of 25.00% over the closing price of HK\$0.160 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (c) a premium of approximately 29.03% over the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on the trading day prior to the date of the Subscription Agreement;
- (d) a premium of approximately 25.79% over the average closing price of approximately HK\$0.159 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (e) a premium of approximately 16.28% over the average closing price of approximately HK\$0.172 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of the Subscription Agreement;
- (f) a premium of approximately 11.11% over the average closing price of approximately HK\$0.180 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to the date of the Subscription Agreement;
- (g) a discount of approximately 52.49% to the audited consolidated net asset value per Share as at 31 December 2023 of approximately HK\$0.421 per Share, calculated based on the audited consolidated net assets of the Group of approximately US\$175,824,000 as at 31 December 2023 as extracted from the 2023 annual report of the Company and 3,243,433,914 Shares then in issue;
- (h) a discount of approximately 52.83% to the unaudited consolidated net asset value per Share as at 30 June 2024 of approximately HK\$0.424 per Share, calculated based on the unaudited consolidated net assets of the Group of approximately US\$177,091,000 as at 30 June 2024 as extracted from the 2024 interim report of the Company and 3,243,433,914 Shares then in issue; and
- (i) no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the Subscription Price is higher than the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.160 per Share.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to (i) the historical market prices of the Shares; (ii) the trading liquidity of the Shares; (iii) the Company's future development plans and related funding needs; (iv) the net asset value per Share; and (v) the reasons for and benefits of the Share Subscription as referred to in the section headed "Reasons for and Benefits of the Share Subscription and Use of Proceeds" below.

As disclosed above, the closing price per Share on, and the average closing price per Share for the 60 consecutive trading days prior to, the date of the Subscription Agreement was lower than the net asset value per Share (based on the consolidated net assets of the Company as at 31 December 2023 and 30 June 2024). Having considering the historical price range of the Shares, which were traded at a significant discount to the net asset value of per Share, the Board considered it appropriate to determine the Subscription Price taking into account, among other things, the net asset value as well as the prevailing price range per Share after arm's length negotiation with the Subscriber.

In determining the Subscription Price, the Board also considered the trading multiples of comparable companies which are publicly listed. The market comparables identified (a) are listed on the Main Board of the Stock Exchange, (b) are in the oil and gas equipment and services sector; and (c) have a market capitalisation which is similar to that of the Company. Having considered the trading multiples of the companies identified, it is noted that (i) it is not uncommon among the comparable companies for shares to be traded at a discount to the net asset value per share; and (ii) the Company's price-to-book ratio ("**P/B ratio**") implied under the Share Subscription is in line with the P/B Ratio range in respect of shares of the comparable companies. The above evidences that the Subscription Price is determined in line with the valuation of comparable companies.

In light of the above, notwithstanding that the Subscription Price represents a discount to the net asset value per Share as at 30 June 2024, considering that the Subscription Price represents a premium to the closing price per Share on, and the average closing price per Share for the 60 consecutive trading days prior to, the date of the Subscription Agreement, the Board considered the Subscription Price to be fair and reasonable in the circumstances.

Conditions precedent

Completion of the Share Subscription is conditional upon satisfaction or (if applicable) waiver of the following conditions:

- (a) the approval at the EGM of (i) the issuance and allotment of the Subscription Shares to the Subscriber; and (ii) the Whitewash Waiver;
- (b) the granting of the Whitewash Waiver by the Executive and such waiver not having been subsequently revoked or withdrawn;
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval not having been subsequently revoked or withdrawn;
- (d) all necessary internal and external approvals, authorisations, consents, filings and reports for the implementation or completion of the Share Subscription having been obtained or duly filed (as applicable) by the Company and such approvals and consents remaining in full force and effect;

- (e) all necessary approvals, authorisations, consents, filings and reports for the implementation or completion of the Share Subscription having been obtained or duly filed (as applicable) by the Subscriber and such approvals and consents remaining in full force and effect, including but not limited to approval of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC in respect of the Share Subscription;
- (f) on the Completion Date, (i) the representations, warranties and undertakings given by the Company under the Subscription Agreement being true, accurate and correct in all material respects and not misleading; and (ii) the Company having performed or satisfied all of its agreements, undertakings and obligations under the Subscription Agreement to be performed on or before the Completion Date in all material respects; and
- (g) on the Completion Date, (i) the representations, warranties and undertakings given by the Subscriber under the Subscription Agreement being true, accurate and correct in all material respects and not misleading; and (ii) the Subscriber having performed or satisfied all of its agreements, undertakings and obligations under the Subscription Agreement to be performed on or before the Completion Date in all material respects.

As at the Latest Practicable Date and based on information available to the Company, other than those specifically set out in conditions (a), (b), (c) and (e) above, the Company is not aware of any other approvals, authorisations, consents, filings and reports which are required as set out in the conditions in paragraphs (d) and (e) above.

The Subscriber may waive any of the conditions as set out in paragraphs (e) and (f) above. The Company may waive any of the conditions as set out in paragraphs (d) and (g) above. The conditions as set out in paragraphs (a) to (c) are not capable of being waived. As at the Latest Practicable Date, none of the conditions as set out above has been satisfied or (if applicable) waived.

Completion of the Share Subscription

Completion of the Share Subscription shall take place within five Business Days (or such other date as agreed to in writing between the Company and the Subscriber) upon the satisfaction or waiver of the conditions under the Subscription Agreement, upon which the Company shall issue and allot the Subscription Shares to the Subscriber and the Subscriber shall pay to the Company the aggregate Subscription Price.

Termination of the Subscription Agreement

The Subscription Agreement may be terminated by the Subscriber if:

- (a) the Company is in material breach of its obligations under the Subscription Agreement;
- (b) the Company is in breach of any representations, warranties or undertakings given by it under the Subscription Agreement in any material respect;
- (c) there is a suspension of dealings in the Shares or listing of the Shares on the Stock Exchange for a consecutive period of 15 trading days or more;

- (d) a statute, rule, regulation, order, decree, ruling or injunction has been enacted, entered, promulgated, endorsed, threatened or is pending by or before any governmental entity or regulatory authority which in any material respect restricts, prohibits or threatens to restrict or prohibit the consummation of any of the transactions contemplated by the Subscription Agreement;
- (e) there is any change which gives rise to a condition, development or circumstance which would (i) have a material adverse effect on the condition (financial or otherwise), prospects, results of operations, general affairs or assets of the Group; or (ii) adversely affect the ability of the Company to perform any of its obligations under the Subscription Agreement; or
- (f) there is (i) a suspension or material limitation in trading in securities generally on the Stock Exchange; or (ii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities, or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong.

In the event Completion does not take place on or before the date which is 180 calendar days after the date of the Subscription Agreement, i.e. 28 June 2025, either the Company or the Subscriber may terminate the Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription).

Information on the Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, the Subscriber is a wholly-owned subsidiary of CM Group, a substantial shareholder of the Company, and is therefore a connected person of the Company. As at the Latest Practicable Date, CM Group is interested in 1,530,372,000 Shares through Prime Force Investment Corporation (an indirect wholly-owned subsidiary of CM Group), representing approximately 47.18% of the issued share capital of the Company.

CM Group is a large integrated state-owned conglomerate which is principally engaged in core industries such as transportation, finance, comprehensive development and operation of cities and parks and technology and innovation related businesses.

REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION AND USE OF PROCEEDS

The Company is principally engaged in investment holding. The Group is principally engaged in building a “Hydrogen, Machinery, Electricity” industrial layout focused on areas of hydrogen-based fuel equipment production and application (hydrogen), ocean energy equipment (machinery), and electric power drive and control (electricity), with a commitment to creating industry leading products and being an industry leading provider of technologically innovative green energy and equipment services. The Company intends to apply its current cash resources towards existing projects. In particular, a significant portion of the Company’s current cash resources will be reserved for the petroleum drilling rig modernized modification project of Petróleos Mexicanos, the total bid value of which amounts to approximately US\$163.8 million (please refer to the announcement of the Company dated 11 December 2023 for further details). The Share Subscription would enable the Company to raise funds for investing in new opportunities as further described below.

The gross proceeds from the Share Subscription will be approximately HK\$324,343,400. The net proceeds (after deducting relevant costs and expenses) from the Share Subscription will be approximately HK\$320,343,400 and the net Subscription Price will be approximately HK\$0.1975 per Share.

The net proceeds from the Share Subscription are intended to be used for the development of hydrogen, machinery and electricity related businesses, including progressing the Company's green energy equipment development and manufacturing, electric drive and control and other aspects, which will enhance the Company's manufacturing capabilities to create competitive products. In particular, approximately HK\$150 million is intended to be used to enhance the development of the Company's hydrogen energy business, focusing on the next generation R&D for core components of electrolyzers such as diaphragms and electrodes, upgrading automated production lines (including achieving capacity consolidation and production line upgrades, targeting an annual production capacity of 100 sets of 1,000 standard cubic electrolyzers), recruiting more talents and strengthening R&D team. On the other hand, approximately HK\$150 million will be used in the operation of green energy related projects, investing in projects with exemplary value and other investment opportunities as may be identified in the future, etc. The Company seeks to invest in projects with a focus on the research and development of core components of water electrolysis hydrogen production equipment and system design. Given that the Company seeks to implement such investment strategy in the near future, the Company proposes to conduct the Share Subscription and raise funds in advance so that it would be in a position to effect such investment as and when any such opportunities arise. The Company will also explore potential project opportunities in other areas of the green energy sector in order to accelerate its green business transformation. The balance of approximately HK\$20 million will be used to supplement the Company's general liquidity. The Company intends to apply proceeds from the Share Subscription towards developing the basic backdrop for its hydrogen energy business and energy related projects during 2025 and the first half of 2026.

Upon Completion, CM Group will become interested in more than 50% of the issued share capital of the Company. The Share Subscription will allow the China Merchants Group more flexibility and higher efficiency in supporting the long-term business development of the Company, which in turn facilitates the Company to realise its own long-term development strategy. CM Group's increase in shareholding in the Company also indicates its confidence in the continued long-term growth of the Company.

The Share Subscription will also allow the consolidation of resources in the science and technology fields within the China Merchants Group. This will allow the Company to further focus on the synergistic development of green energy technology and assist the Company in becoming a successful platform for high-end green energy equipment manufacturing. This will be a key aspect in the Company achieving its medium and long term goals of being an industry leading provider of technologically innovative green energy and equipment services.

The Directors (including the members of the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee whose views are set out in the letter from the Takeovers Code Independent Board Committee and letter from the Listing Rules Independent Board Committee respectively) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

CM Group and the Subscriber intend to continue with the existing principal businesses of the Group. CM Group and the Subscriber also intend to maintain the listing of the Shares on the Stock Exchange following the Completion.

As at the Latest Practicable Date, other than a possible change in Board composition which will be effected and announced in compliance with the Takeovers Code and Listing Rules in due course, there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees, and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business. Furthermore, as at the Latest Practicable Date, the Subscriber has no intention to acquire or inject any new business into the Group, or dispose or downsize the Group's existing businesses.

FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company had not conducted any fund-raising activities involving the issuance of equity securities in the 12 months immediately preceding the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the date of the Latest Practicable Date; and (b) immediately after Completion, assuming there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the Completion Date, are set out below:

	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>
The Subscriber and parties acting in concert with it	1,786,471,000	55.08%	3,408,188,000	70.05%
Prime Force Investment Corporation ⁽¹⁾	1,530,372,000	47.18%	1,530,372,000	31.46%
The Subscriber	–	–	1,621,717,000	33.33%
CIMC(HK) ⁽²⁾	185,600,000	5.72%	185,600,000	3.81%
Trustee ⁽³⁾	70,499,000	2.18%	70,499,000	1.45%
Director				
Zhang Menggui, Morgan ⁽⁴⁾	65,979,100	2.04%	65,979,100	1.36%
Public Shareholders	1,390,983,814	42.88%	1,390,983,814	28.59%
Total	3,243,433,914	100%	4,865,150,914	100%

Notes:

- (1) Prime Force Investment Corporation is an indirect wholly-owned subsidiary of CM Group as at the Latest Practicable Date.

- (2) CIMC(HK) is a subsidiary of CIMC. CM Group is, through certain wholly-owned subsidiaries, interested in approximately 42.74% of the issued H shares of CIMC (representing approximately 24.49% of the total issued shares of CIMC) as at the Latest Practicable Date.
- (3) Such Shares include 8,446,456 Shares held by the Trustee, the trustee of the share award plan adopted on 16 January 2015 and amended on 14 January 2025 and 62,052,544 Shares held by the Trustee, the trustee of the share award plan adopted on 31 October 2019. Pursuant to the rules of the share award schemes and Rule 17.05A of the Listing Rules, the Trustee shall abstain from voting in respect of resolutions to be proposed at the EGM.
- (4) Mr. Zhang Menggui, Morgan was neither interested nor involved in the Share Subscription and the Whitewash Waiver.
- (5) The percentage figures as set out above are subject to rounding adjustments.

As at the Latest Practicable Date, other than the 3,243,433,914 Shares in issue, the Company has no other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

APPLICATION FOR LISTING

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

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date:

- (a) the Subscriber (a wholly-owned subsidiary of CM Group) does not hold any Shares;
- (b) Prime Force Investment Corporation (an indirect wholly-owned subsidiary of CM Group) holds 1,530,372,000 Shares, representing approximately 47.18% of the issued share capital of the Company; and
- (c) CIMC(HK), a party acting in concert with the Subscriber, holds 185,600,000 Shares, representing approximately 5.72% of the issued share capital of the Company.

Upon Completion, assuming there is no other change to the share capital and shareholding structure of the Company, the shareholding of the Subscriber and parties acting in concert with it (including the Trustee) will increase from approximately 55.08% to approximately 70.05% of the issued share capital of the Company.

Following consultation with the Executive, as the total shareholding of the China Merchants Group would increase from approximately 47.18% to approximately 64.79% after Completion (excluding Shares held by the Trustee), the issuance and allotment of the Subscription Shares under the Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber and CM Group to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive (on behalf of itself and CM Group) for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. The Executive has indicated that it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the Share Subscription, respectively, at the EGM.

The Executive may or may not grant the Whitewash Waiver. The Share Subscription will not proceed if the Whitewash Waiver is not granted or approved.

If the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, the Subscriber, CM Group and parties acting in concert with them will directly or indirectly hold more than 50% of the voting rights of the Company after Completion. The Subscriber, CM Group and parties acting in concert with them may further increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company does not believe that the Share Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Share Subscription does not comply with other applicable rules and regulations.

LISTING RULES IMPLICATIONS

As described in the section headed “Information on the Subscriber” in this circular, the Subscriber is a wholly-owned subsidiary of CM Group, a substantial shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the Share Subscription constitutes a connected transaction of the Company and will be subject to announcement, reporting and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As Mr. Mei Xianzhi, Mr. Liu Jiancheng and Mr. Tam Wing Tim hold positions with China Merchants Industry Holdings Co., Ltd. (a subsidiary of CM Group), each of them abstained from voting on the board resolutions of the Company in relation to the Share Subscription.

ESTABLISHMENT OF THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE LISTING RULES INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising all non-executive Directors who are not interested or involved in the Share Subscription and the Whitewash Waiver, namely Mr. Zhang Xizheng, Mr. Zhang Menggui, Morgan, Mr. Zou Zhendong, Ms. Zhang Zhen and Mr. Xue Jianzhong) has been formed to advise the Independent Shareholders on the terms of, and voting in respect of, the Share Subscription and the Whitewash Waiver. Mr. Mei Xianzhi, Mr. Liu Jiancheng and Mr. Tam Wing Tim, being non-executive Directors, are either appointed by CM Group or employees of the China Merchants Group and therefore do not form part of the Takeovers Code Independent Board Committee.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Subscription, namely Mr. Zou Zhendong, Ms. Zhang Zhen and Mr. Xue Jianzhong) has been formed to advise the Independent Shareholders on the terms of, and voting in respect of, the Share Subscription from the Listing Rules perspective.

Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed with the approval of the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders on the terms of the Share Subscription and the Whitewash Waiver and to make recommendations as to voting.

GENERAL

The EGM will be convened to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate); and (ii) the Whitewash Waiver.

Resolutions approving the Share Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver will be proposed at the EGM for approval by the Independent Shareholders. The Share Subscription and the Whitewash Waiver are subject to the approval by more than 50% and at least 75% of the votes cast by the Independent Shareholders either in person or by proxy, respectively, at the EGM. The voting at the EGM will be conducted by way of poll.

The Subscriber and CM Group, their respective associates, and any parties acting in concert with them, and any other party who is interested in or involved in the Share Subscription and/or the Whitewash Waiver, will be required to abstain from voting in respect of the resolution(s) to approve the Share Subscription and the Whitewash Waiver at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder had any material interest in the Share Subscription and the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Share Subscription and the Whitewash Waiver.

A notice convening the EGM to be held at 5th Floor, China Merchants Development Center, No.1089 Nanhai Avenue, Nanshan District, Shenzhen on Friday, 28 February 2025 at 10:00 a.m. is set out on pages 78 to 79 of this circular.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 25 February 2025 to Friday, 28 February 2025, both days inclusive, during which period no transfer of shares will be registered. The record date for ascertaining Shareholders' eligibility to attend and vote at the EGM will be 28 February 2025. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 February 2025.

RECOMMENDATION

Your attention is drawn to: (i) the letter from the Takeovers Code Independent Board Committee set out on pages 18 to 19 of this circular and the letter from the Listing Rules Independent Board Committee set out on pages 20 to 21 of this circular containing their recommendations to the Independent Shareholders in respect of the Share Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver and (ii) the letter from the Independent Financial Adviser set out on pages 22 to 59 of this circular, containing its advice to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Share Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver.

The Directors (including the members of the Takeovers Code Independent Board Committee and Listing Rules Independent Board Committee, whose views are set out in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee respectively) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

As Mr. Mei Xianzhi, Mr. Liu Jiancheng and Mr. Tam Wing Tim hold positions with China Merchants Industry Holdings Co., Ltd. (a subsidiary of CM Group), each of them has therefore abstained from voting on the board resolutions of the Company for approving the Share Subscription and the Whitewash Waiver. Save as disclosed above, none of the Directors had a material interest in the Share Subscription and the Whitewash Waiver and no Director has abstained from voting on the relevant resolutions of the Board.

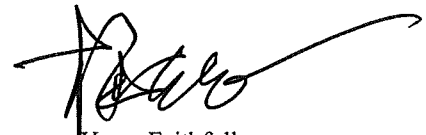
FURTHER INFORMATION

Your attention is drawn to the additional information set out in Appendix I and Appendix II to this circular.

Since Completion is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Subscription Agreement, the Share Subscription may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among other things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the Share Subscription, respectively, at the EGM. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.



Yours Faithfully,
For and on behalf of the Board of
CM Energy Tech Co., Ltd.
Mei Xianzhi
Chairman