



红日资本有限公司

RED SUN CAPITAL LIMITED

Notes:

- (1) Premium/discount of subscription price over/to the average closing price per share for (i) the last five consecutive trading days; (ii) the last ten consecutive trading days; and (iii) the last 30 consecutive trading days, immediately prior to/including the respective last trading day/date of the respective announcement/agreement, are commonly adopted perimeters for assessing the fairness and reasonableness of the subscription price for similar transactions in the market. Premium/discount percentages are rounded to one decimal places, where applicable.
- (2) The maximum dilution effect to public shareholders (excluding those required to be abstained from voting on the resolution(s) for the approval of the subject transaction) as a result of the subject transaction(s) is calculated based on (a) the percentage shareholding held by public shareholders as at the latest practicable date set out in the transaction announcement, less (b) the percentage shareholding to be held by public shareholders upon the completion of the subject transaction as set out in the transaction announcement.
- (3) The Subscription Price represents (i) 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; and (ii) 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.

As set out in the table above, we noted that the issue/subscription prices of the Share Issuance Comparables ranged from:

- (a) a discount of approximately 31.37% to a premium of approximately 249.37% to/over the respective closing prices of the shares of relevant companies on the last trading day immediately prior to/on the date of the respective announcement/agreement as set out in the relevant transaction announcement, with an average of premium of approximately 19.03% and median of discount of approximately 4.0%, respectively;
- (b) a discount of approximately 31.64% to a premium of approximately 273.05% to/over the average closing prices of the shares of relevant companies on the last five (5) consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/agreement as set out in the relevant transaction announcement, with an average of premium of approximately 22.69% and median of discount of approximately 3.51%, respectively;
- (c) a discount of approximately 30.97% to a premium of approximately 323.27% to/over the average closing prices of the shares of relevant companies on the last ten (10) consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/agreement as set out in the relevant transaction announcement, with an average of premium of approximately 27.89% and median of discount of approximately 1.44%, respectively; and



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- (d) a discount of approximately 42.24% to a premium of approximately 396.77% to/over the average closing prices of the shares of relevant companies on the last thirty (30) consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/agreement as set out in the relevant transaction announcement, with an average of premium of approximately 31.52% and median of discount of approximately 4.55%, respectively.

We further noted that the maximum dilution effect to public shareholders in percentage points under the Share Issuance Comparables ranged from approximately 6.87 percentage points to 65.70 percentage points, with an average and median of approximately 23.17 percentage points and 19.47 percentage points, respectively.

Based on the foregoing analysis and given that the Subscription Price represents (a) a premium of approximately 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; 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; (b) 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 five consecutive trading days immediately prior to the date of the Subscription Agreement; (c) a premium of approximately 22.7% over the average closing price of approximately HK\$0.163 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Subscription Agreement; and (d) 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 30 consecutive trading days immediately prior to the date of the Subscription Agreement, each of the premium of the Subscription Price set out under (a) to (d) above over different reference closing prices exceeded most of the corresponding discount/premium of the Share Issuance Comparables. Among the Share Issuance Comparables, (i) there were 9 out of 11 Share Issuance Comparables issued with less than 25% premium of its subscription price over the closing price per share on the last trading day immediately prior to/on the date of the respective announcement/agreement; there were 9 out of 11 Share Issuance Comparables issued with less than 29.03% premium of its subscription price over the closing price per share on the last trading day immediately prior to/on the date of the respective announcement/agreement; (ii) there were 9 out of 11 Share Issuance Comparables issued with less than 25.79% premium of its subscription price over the closing price per share on the last five (5) consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/agreement; (iii) there were 9 out of 11 Share Issuance Comparables issued with less than 22.7% premium of its subscription price over the closing price per share on the last ten (10) consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/agreement; and (iv) there were 9 out of 11 Share Issuance Comparables issued with less than 16.28% premium of its subscription price over the closing price per share on the last thirty (30) consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/agreement.



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Furthermore, the dilution effect to the public shareholders as a result of the Share Subscription of approximately 14.3 percentage points is also within the range of dilution effect to the public shareholders under the Share Issuance Comparables from approximately 6.87 percentage points to 65.7 percentage points. On this basis, our analysis above supports that the Subscription Price is fair and reasonable.

(v) *Analysis on trading multiples of comparable companies*

With a view of further supplementing to the above work performed and analysis, we have also conducted supplemental analysis on the trading multiples of the Company to further support our findings on the fairness and reasonableness of the Subscription Price. In this connection, we have considered (a) the implied price-to-earnings ratio (the “P/E Ratio”); and (b) the implied price-to-book ratio (the “P/B Ratio”) of the Company, as calculated based on the Subscription Price.

In this connection, having considered the principal businesses of the Group and the market capitalisation of the Company as at the date of the Subscription Agreement, we have set the following criteria to select comparable companies for the purpose of our analysis, namely (a) shares of the companies being listed and traded on the Main Board as at the date of the Announcement, excluding listed companies whose shares are suspended in trading as at the date of the Announcement; (b) the principal business of the selected listed companies are in the oil and gas equipment and services sector; (c) based on the closing share price on the date of the Subscription Agreement, their market capitalisation being not more than HK\$2,000 million, as compared to the Implied Market Capitalisation (defined as below) of approximately HK\$648.7 million; and (d) the selected listed companies derived their largest portion of revenue from the PRC (together the “Comparable Companies Criteria”).



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Based on the Comparable Companies Criteria, we have identified an exhaustive list of five comparable companies (the “Market Comparables”) from the Stock Exchange’s website, and set out in the following table the details of the Market Comparables:

Company name (stock code)	Principal business	Market Capitalisation (Note 1) (HK\$'million)	P/B Ratio (Note 1) (times)	P/E Ratio (Note 1) (times)
Shandong Molong Petroleum Machinery Co., Ltd (“Shandong Molong”) (568)	Principally engaged in the design, research and development, processing and manufacturing, sale service and export trade of products for the energy equipment industry.	309.9	0.57	Not applicable (Note 2)
Shengli Oil & Gas Pipe Holdings Limited (“Shengli Oil & Gas”) (1080)	Principally engaged in the manufacture, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications and trading of commodities.	120.1	0.25	Not applicable (Note 2)
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (“Chu Kong”) (1938)	Principally engaged in the manufacture and sale of welded steel pipes and the provision of related manufacturing services and property development and investment.	171.9	0.13	0.83
Petro-king Oilfield Services Limited (“Petro-king Oilfield”) (2178)	Principally engaged in the provision of oilfield technology services covering various stages in the life cycle of oilfields including drilling and production enhancement, as well as consultancy services for oilfields and gas fields with auxiliary activities in trading of oilfield and gas field related products.	93.2	0.49	Not applicable (Note 2)



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Company name (stock code)	Principal business	Market		
		Capitalisation (Note 1) (HK\$'million)	P/B Ratio (Note 1) (times)	P/E Ratio (Note 1) (times)
Wisom Engineering Services Co. Ltd. ("Wisom Engineering") (2236)	Principally engaged in the provision of project solutions to petrochemical and coal-to-chemicals producers in terms of design, construction and commissioning of their production facilities through technology consultancy, engineering, procurement and construction management services in the PRC and overseas.	863.6	0.33	Not applicable (Note 2)
	Maximum		0.57	0.83
	Minimum		0.13	0.83
	Average		0.36	0.83
	Median		0.33	0.83
	The Company	648.7 (Note 3)	0.47 (Note 4)	8.74 (Note 4)

Notes:

- (1) For illustration purposes, the market capitalisation of the Market Comparables is calculated based on their respective closing share price as at the date of the Subscription Agreement (i.e. 30 December 2024) and the total number of issued shares based on the then latest monthly return or next day disclosure return of the subject listed company published on the website of the Stock Exchange. As for the calculation of the P/B Ratio of the Market Comparables, the ratios are calculated based on their respective closing share price as at the date of the Subscription Agreement (i.e. 30 December 2024) and the latest net asset value attributable to the owners of the subject listed company. As for the calculation of the P/E Ratio of the Market Comparables, the ratios are calculated based on their respective market capitalisation as at the date of the Subscription Agreement (i.e. 30 December 2024) and the latest audited profit or loss attributable to owners of the subjected listed company.
- (2) The subject Market Comparables recorded a loss attributable to its owners for the latest financial year, and thus the P/E ratio is not applicable.
- (3) The implied market capitalisation of the Company of approximately HK\$648.7 million under the Share Subscription (the "Implied Market Capitalisation"), is calculated based on the Subscription Price of HK\$0.2 per Subscription Share and the total number of issued Shares as at the date of the Subscription Agreement (i.e. 30 December 2024).
- (4) The implied P/B Ratio of the Company is calculated based on the Implied Market Capitalisation and the net asset value attributable to the owners of the Company as at 30 June 2024. The implied P/E Ratio of the Company is calculated based on the Implied Market Capitalisation and the profit attributable to the owners of the Company for the year ended 31 December 2023 (the "Implied FY2023 P/E Ratio").



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As shown in the table above, the P/B Ratio of the Market Comparables ranged from approximately 0.13 times to approximately 0.57 times. It is also noted that the average P/B Ratio of the Market Comparables was approximately 0.36 times with a median of approximately 0.33 times.

The implied P/B Ratio of the Company under the Share Subscription, calculated based on the Implied Market Capitalisation, being approximately 0.47 times, is above the average and median of the P/B Ratio of the Market Comparables. The range of P/B Ratio of the Market Comparables is relatively wide and the implied P/B Ratio under the Share Subscription is within range of the P/B Ratio of the Market Comparables.

As illustrated in the tables set out above, certain Market Comparables reported loss attributable to the owners for the latest audited financial year and historical P/E Ratio analysis cannot be performed. We have considered to extend the selection criteria, however, taking into account the scale of market capitalisation of the comparables not adopted were not comparable to the scale of the Company (i.e. ranging from approximately HK\$9 billion to approximately HK\$14 billion) and may not be able to provide a reasonable comparison, therefore, although only one comparable P/E ratio was selected, we considered such comparable to be reflecting the industry with similar scale, is fair and representative. The P/E Ratio of Chu Kong was approximately 0.83 times. The implied P/E Ratio of approximately 8.74 times is significantly higher than that of the Market Comparables.

On this basis, the Market Comparables analysis supports our view that the Share Subscription Price is fair and reasonable.

It is also noted that the Subscription Price represents a discount to the net asset value per Share, notwithstanding the Subscription Price represents a discount to the net asset value per Share, considering (i) it is general market practice for the subscription price to make reference to the closing price per share for the last trading day and average closing price per share of respective share issuance with reference to the Share Issuance Comparables; (ii) the Subscription Price already represents a premium to the closing price per Share on the date of the Subscription Agreement and a premium over the average closing price prior to the date of the Subscription Agreement while majority of the Share Issuance Comparables were discount to the closing price per share on the date of the respective announcement/agreement and the average closing price prior to/including the respective day of announcement/agreement as discussed in the section headed "Analysis on transactions which involved the issuance of shares under specific mandate" in this letter; (iii) comparison with the net asset value per Share acts as a further reference to the general market practice; and (iv) further analysis with the Market Comparables and demonstrated that the implied P/B Ratio is above the average and median of the P/B Ratio of the Market Comparables (as discussed above), we considered the discount to the net asset value per Share to be justifiable.



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(vi) *Summary of our analysis and our view on the Subscription Price*

Having considered, among other factors, (a) our analysis on the historical financial performance and position of the Group as set out under section headed “1. Background and Financial Information of the Group” in this letter; (b) the reasons for the Share Subscription as set out under section headed “3. Reasons for and Benefits of the Share Subscription” in this letter; and (c) our analysis and assessment on the Subscription Price, including (aa) the Subscription Price represents a premium over the closing price of the Shares on the date of the Subscription Agreement and on the trading day prior to the date of the Subscription Agreement, premium over the average closing price of the Shares for the five consecutive trading days immediately prior to the date of the Subscription Agreement, premium over the average closing price of the Shares for the ten consecutive trading days immediately prior to the date of the Subscription Agreement, and premium over the average closing price of the Shares for the 30 consecutive trading days immediately prior to the date of the Subscription Agreement, although the Subscription Price represents a discount to the net asset value per Share, but the implied P/B Ratio is above the average and median of the P/B Ratio of the Market Comparables; (bb) the comparison against the historical performance of closing Share price during the Review Period; (cc) the trading liquidity of the Shares during the Review Period; and (dd) our work performed and analysis on the Share Issuance Comparables and the Market Comparables, we are of the view that the Subscription Price is fair and reasonable.

7. *Expected financial effects of the Share Subscription*

(i) *Effect on net assets*

With reference to the 2024 Interim Report, the total net assets of the Group as at 30 June 2024 was approximately US\$177.1 million. On the basis that the Group has not incurred new borrowings since 1 July 2024 and up to the date of the Completion, the Group’s net assets will be enhanced by the amount of the net proceeds (after deducting relevant costs and expenses). We consider that the Share Subscription will result in an overall improvement on the Group’s net assets position.

Based on the issuance of 1,621,717,000 Subscription Shares, assuming that there is no other changes in the number of issued Shares, the net unaudited asset value per Share shall decreased.



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(ii) Effect on net current ratio

As set out in the Company's 2024 Interim Report, as at 30 June 2024, the Group had current assets and current liabilities of approximately US\$234.7 million and US\$113.3 million respectively. The current ratio of the Group was approximately 207.1% as at 30 June 2024. Immediately upon Completion, the current assets of the Group will increase by the amount of the net proceeds and hence the current ratio of the Group will increase.

Although the above analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon Completion, it indicates that the Share Subscription would have a positive impact on the Group's net assets position and current ratio. On this basis, we are of the view that the Share Subscription is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

8. Effect on shareholding structure of the Company

As set out in the Letter from the Board, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) 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	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
The Subscriber and parties in concert with it	1,786,471,000	55.08%	3,408,188,000	70.05%
Prime Force Investment Corporation ^(Note 1)	1,530,372,000	47.18%	1,530,372,000	31.46%
The Subscriber	–	–	1,621,717,000	33.33%
CIMC (HK) ^(Note 2)	185,600,000	5.72%	185,600,000	3.81%
Trustee ^(Note 3)	70,499,000	2.18%	70,499,000	1.45%
Director				
Zhang Menggui, Morgan ^(Note 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	100.00%	4,865,150,914	100.00%



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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 CMIC (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 the primary purpose of the shareholding table above is to set out the shareholding position of the Subscriber and parties acting, or presumed to be acting, in concert with it, as at the Latest Practicable Date and immediately after Completion, the shareholding position of the public Shareholders (as defined under the Listing Rules) set out thereunder does not represent the total number of Shares held by public Shareholders as certain parties acting, or presumed to be acting, in concert with the Subscriber are considered to be public Shareholders under the Listing Rules as at the Latest Practicable Date.

Based on the Letter from the Board, the percentage of Shares held by public Shareholders was approximately 42.88% as at the Latest Practicable Date and such would be diluted to approximately 28.59% after the Completion, representing a dilution of approximately 14.29 percentage points immediately after completion of the Share Subscription.

As set out in the sub-section headed “(iv) Analysis on transactions which involved the issuance of shares under specific mandate” in this letter above, the dilution effect of shareholding interests of the public Shareholders as a result of the issues of shares under the Share Issuance Comparables ranged from approximately 0.7 percentage points to 50.0 percentage points, with average and median of approximately 13.4 percentage points and 11.5 percentage points, respectively. As such, the Share Subscription of approximately 14.3 percentage points is within range and slightly higher than the average and median dilution in percentage points as represented by the Share Issuance Comparables.

Having considered factors including:

- (i) the reasons for the Share Subscription as set out in the Letter from the Board, such as, net proceeds from the Share Subscription are intended to be used for the development of hydrogen, machinery and electricity related businesses, which is expected to support the Group's future plans (the medium and long term goals) going forward;



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- (ii) based on our analysis and evaluation on the Subscription Price set out in this letter above, including (aa) closing price of the Shares on the date of the Subscription Agreement and on the trading day prior to the date of the Subscription Agreement, respectively, average closing price of the Shares for the five, ten and 30 trading days immediately prior to the date of the Subscription Agreement with the Share Issuance Comparables, respectively; (bb) our analysis on the performance of the historical closing Share prices; (cc) the thin liquidity of the Shares as evidenced by the low average daily trading volume as a percentage of the then total number of Shares set out in our analysis of the historical trading liquidity of the Shares during the Review Period; and (dd) our work performed and analysis on the Share Issuance Comparables (subscription price to closing share price comparison and dilution analysis) and the Market Comparables (P/B Ratio and P/E Ratio analysis) as set out under section headed "6. Analysis on the Subscription Price" in this letter, we considered the Subscription Price to be fair and reasonable;
- (iii) the dilution to the shareholding interests of the public Shareholders as a result of the Share Subscription is within range and slightly higher than the average and median dilution in percentage points as represented by the Share Issuance Comparables; and
- (iv) the expected financial effects arising from the Share Subscription and the resultant improvements to the financial position of the Group upon Completion,

we are of the view that the level of dilution to the public Shareholders as a result of the Share Subscription is acceptable.

B. Application for Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with it (including the Trustee) hold 1,786,471,000 Shares, representing approximately 55.08% of the issued share capital of the Company. Upon Completion, the shareholding of the Subscriber and the parties acting in concert with it (including the Trustee) will increase to approximately 70.05% of the issued share capital of the Company.

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.



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The Subscriber has made an application to the Executive (on behalf of itself and CM Group) for the Whitewash Waiver from compliance with the obligation 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 as a result of the allotment and issuance of the Subscription Shares to the Subscriber. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, amongst others, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription, respectively, at the EGM.

Each of (i) the Subscriber and the CM Group; (ii) parties acting, or presumed to be acting, in concert with the Subscriber and the CM Group (including (a) Prime Force Investment Corporation; (b) CIMC (HK); and (c) the Trustee); and (iii) any other parties who are interested in or involved in the Share Subscription and/or the Whitewash Waiver shall abstain from voting in respect of the resolution(s) to approve the Share Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver at the EGM. Pursuant to the rules of the share award scheme and Rule 17.05A of the Listing Rules, the trustee of the share award plan adopted on 16 January 2015 and 31 October 2019, respectively (who held 70,499,000 Shares as of the Latest Practicable Date) shall abstain from voting in respect of all the resolutions to be proposed at the EGM.

With reference to the Letter from the Board, as at the Latest Practicable Date, save for the aforesaid persons, the Directors were not aware of any other Shareholders who are interested in or involved in the Share Subscription and/or the Whitewash Waiver.

As the Share Subscription is conditional upon, amongst other, the granting of the Whitewash Waiver by the Executive pursuant to the Takeovers Code, and the Whitewash Waiver remaining in full force and effect, the Share Subscription will not proceed if the Whitewash Waiver is not granted by the Executive or the Share Subscription as well as the Whitewash Waiver are not approved by the Independent Shareholders at the EGM.

In view of (i) the aforesaid reasons for and benefits of the Share Subscription and that the Share Subscription is in the interests of the Company and the Independent Shareholders as a whole; and (ii) the terms of the Share Subscription are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Share Subscription, is in the interests of the Company and the Independent Shareholders as a whole, and fair and reasonable for the purpose of proceeding with the Share Subscription.



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RECOMMENDATION

In respect to our recommendation to the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the reasons for and benefits of the Share Subscription as discussed under the section headed "REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION" in this letter above, in particular, the Share Subscription (i) will facilitate Company to realise its own long-term development strategy; (ii) allow the consolidation of resources in the science and technology fields within the China Merchants Group; and (iii) 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;
- (ii) taking into account the benefits and costs of each of the fundraising alternatives considered by the Board, the Share Subscription represents an appropriate means for fund raising to develop the Group's business in the green energy sector to cope with the global energy revolution as discussed under the section headed "Fund raising alternatives considered by the Company" in this letter above;
- (iii) our analysis on the historical closing Share price as set out under the section headed "Analysis on the performance of historical closing Share price" in this letter showing the Subscription Price represents a premium to the closing price of the Company after the publication of 2024 Interim Results Announcement and up to the last trading day immediately prior to the date of the Subscription Agreement;
- (iv) our analysis on the trading volume and liquidity of the Shares as set out under the section headed "Analysis on the trading liquidity of the Shares during the Review Period" in this letter showing thin trading liquidity of the Shares and it would be difficult for the Company to conduct sizeable equity financing alternatives without a notable discount; and
- (v) our analysis on the Share Issuance Comparables and the Market Comparables as set out under the section head "Analysis on transactions which involved the issuance of shares under specific mandate" showing that the subject premium of the Subscription Price over different reference closing prices exceeded most of the corresponding discount / premium of the Share Issuance Comparables and the implied P/B ratio under the Share Subscription is within range, higher than the average and median of the P/B Ratio of the Market Comparables, both analysis further support our view that the Share Subscription Price is fair and reasonable.

As set out in this letter above, we are of the view that (i) the terms of the Share Subscription are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Share Subscription is in the interests of the Company and the Independent Shareholders as a whole. We are also of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Share Subscription, is in the interests of the Company and the Independent Shareholders as a whole; and is fair and reasonable for the purpose of proceeding with the Share Subscription.



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Accordingly, we advise the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Share Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 27 years of experience in the corporate finance industry.