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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in CM Energy Tech Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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**CM Energy Tech Co., Ltd.**  
**华商能源科技股份有限公司**  
*(Incorporated in Cayman Islands with limited liability)*  
**(Stock Code: 206)**

**(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**

**Financial Adviser to the Company**

**CMS**  **招商證券國際**

**Independent Financial Adviser to the Takeovers Code Independent Board Committee and  
the Listing Rules Independent Board Committee and the Independent Shareholders**

 **红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

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Capitalised terms used in this cover page have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 17 of this circular.

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

Whether or not you propose to attend the EGM you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office 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 and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on Wednesday, 26 February 2025) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

13 February 2025

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 30 December 2024 in relation to the Share Subscription and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“China Merchants Group”	CM Group and its subsidiaries
“CIMC”	China International Marine Containers (Group) Co., Ltd., a company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2039) and the Shenzhen Stock Exchange (stock code: 000039)
“CIMC(HK)”	China International Marine Containers (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of CIMC
“CM Group”	China Merchants Group Limited* (招商局集團有限公司), a company established in the PRC with limited liability. It is regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Company”	CM Energy Tech Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 206)
“Completion”	the completion of the Share Subscription and issuance of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date on which the Completion takes place pursuant to the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, approving, among other things, the Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	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 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
“Independent Shareholders”	Shareholders other than: (i) the Subscriber and CM Group and their respective associates and any parties acting in concert with them; and (ii) any other Shareholder who is interested or involved in the Share Subscription and/or the Whitewash Waiver (if any)
“Latest Practicable Date”	10 February 2025, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules Independent Board Committee”	an independent board committee of the Company 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), which is formed in accordance with the Listing Rules to advise the Independent Shareholders on the Share Subscription
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Relevant Period”	the period commencing on 30 June 2024, being six months before 30 December 2024 (i.e. the date of the Announcement), up to the Latest Practicable Date (both dates inclusive)
“RMB”	renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the issuance and allotment of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Merchants Innovation and Technology (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by CM Group and thus a connected person of the Company
“Subscription Agreement”	the conditional subscription agreement dated 30 December 2024 and entered into between the Company and the Subscriber in relation to the Share Subscription
“Subscription Price”	HK\$0.20 per Subscription Share
“Subscription Shares”	1,621,717,000 new Shares to be issued by the Company to the Subscriber pursuant to the Share Subscription
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers (as amended, modified and supplemented from time to time)

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## DEFINITIONS

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“Takeovers Code Independent Board Committee”	an independent board committee of the Company comprising all the 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), which is formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Share Subscription and the Whitewash Waiver
“Trustee”	Treasure Maker Investments Limited, a wholly-owned subsidiary of the Company that is not otherwise connected with any of the directors, chief executives or substantial shareholders of the Company
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United State dollars, the lawful currency of the United States
“Whitewash Waiver”	the whitewash waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber (and CM Group) to make a mandatory general offer for all the issued 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) which might otherwise arise as a result of the Share Subscription
“%”	per cent.

\* For identification purpose only

*For the purposes of this circular, unless the context otherwise requires, conversion of United States dollars into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to US\$0.1288. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or United States dollars have been, could have been or may be converted at such or any other rate or at all.*

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## LETTER FROM THE BOARD

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### CM Energy Tech Co., Ltd. 华商能源科技股份有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 206)**

*Non-executive Directors:*

Mr. Mei Xianzhi (*Chairman*)  
Mr. Liu Jiancheng  
Mr. Tam Wing Tim  
Mr. Zhang Xizheng  
Mr. Zhang Menggui, Morgan

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Executive Director:*

Mr. Zhan Huafeng (*Executive President*)

*Principal place of business  
in Hong Kong:*

3/F, Office Building  
No. 1-7 Sai Tso Wan Road  
Tsing Yi Island, New Territories  
Hong Kong

*Independent non-executive Directors:*

Mr. Zou Zhendong  
Ms. Zhang Zhen  
Mr. Xue Jianzhong

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.

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## LETTER FROM THE BOARD

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### 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

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



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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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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;

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## LETTER FROM THE BOARD

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- (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;

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## LETTER FROM THE BOARD

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- (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.

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## LETTER FROM THE BOARD

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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.

## LETTER FROM THE BOARD

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

Notes:

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

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## LETTER FROM THE BOARD

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- (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.



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## LETTER FROM THE BOARD

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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 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.



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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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*



**CM Energy Tech Co., Ltd.**  
**华商能源科技股份有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 206)**

13 February 2025

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular issued by the Company to its shareholders dated 13 February 2025 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Takeovers Code Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the Share Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee, Independent Shareholders and us in respect of the terms of the Share Subscription, the Specific Mandate and the Whitewash Waiver. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 22 to 59 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in Appendix I and Appendix II thereto.

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## LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Share Subscription, the Specific Mandate and the Whitewash Waiver, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the terms of the Share Subscription and the Specific Mandate are on normal commercial terms and the Share Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable.

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Share Subscription, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
the Takeovers Code Independent Board Committee of  
**CM Energy Tech Co., Ltd.**

**Mr. Zhang Xizheng**  
*Non-executive Director*

**Mr. Zhang Menggui, Morgan**  
*Non-executive Director*

**Mr. Zou Zhendong**  
*Independent Non-executive Director*

**Ms. Zhang Zhen**  
*Independent Non-executive Director*

**Mr. Xue Jianzhong**  
*Independent Non-executive Director*



**CM Energy Tech Co., Ltd.**  
**华商能源科技股份有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 206)**

13 February 2025

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular issued by the Company to its shareholders dated 13 February 2025 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Listing Rules Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the Share Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, Independent Shareholders and us in respect of the terms of the Share Subscription, the Specific Mandate and the Whitewash Waiver. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 22 to 59 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in Appendix I and Appendix II thereto.

Having considered the terms of the Share Subscription, the Specific Mandate and the Whitewash Waiver, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the terms of the Share Subscription and the Specific Mandate are on normal commercial terms and the Share Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable, 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.

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## LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE

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We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Share Subscription, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
the Listing Rules Independent Board Committee of  
**CM Energy Tech Co., Ltd.**

**Mr. Zou Zhendong**  
*Independent Non-executive Director*

**Ms. Zhang Zhen**  
*Independent Non-executive Director*

**Mr. Xue Jianzhong**  
*Independent Non-executive Director*

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee and the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

13 February 2025

*To: The Takeovers Code Independent Board Committee,  
the Listing Rules Independent Board Committee  
and the Independent Shareholders*

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

## **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 13 February 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 Subscription Shares which will be issued upon Completion represent: (i) approximately 50% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, (i) the Subscriber (a wholly-owned subsidiary of CM Group) does not hold any Shares; (ii) 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 (iii) 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 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.

### **THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE LISTING RULES INDEPENDENT BOARD COMMITTEE**

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

We have been appointed as the independent financial adviser and approved by 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.

### OUR INDEPENDENCE

We did not have any business relationship with or interest in the Company and the Subscriber that could reasonably be regarded as relevant in assessing our independence as at the Latest Practicable Date. Save for our appointment as the independent financial adviser, there were no engagements between (i) Red Sun Capital Limited and the Company; and (ii) Red Sun Capital Limited and the Subscriber in the past two years from the date of this letter. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and the Subscriber or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and the applicable Takeovers Code.

### BASIS OF OUR ADVICE

In order to formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continued to be so as at the Latest Practicable Date and will continue to be true, accurate and complete in all material respects up to the time of the EGM. In accordance with Rule 9.1 of the Takeovers Code, the Shareholders will also be informed where there is any material changes to the information contained or referred to herein as well as changes to our opinion, if any, as soon as possible.

We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors confirmed that no material facts had been omitted from the information provided and referred to in the Circular.

However, we have not carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group and the Subscriber or their respective histories, experiences and track records, or the prospects of the markets in which they operate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion, which included, among others, (i) reviewed the Subscription Agreement; (ii) reviewed the Announcement, the Letter from the Board contained in the Circular and the accompanying appendices; (iii) reviewed the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iv) reviewed the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); (v) conducted analysis on the historical closing prices and trading volume of the Shares during the Review Period (defined hereafter) based on information extracted from the website of the Stock Exchange; (vi) conducted market research and obtained sample transactions on the similar transactions involve the issuance of shares under specific mandate by companies listed on the Stock Exchange for the purpose of our fairness and reasonableness analysis of the terms of the Subscription Agreement; (vii) conducted analysis on the market comparables in connection to price-to-earnings and price-to-book ratio of other listed companies in Hong Kong which are of similar business nature; (viii) conducted analysis on the potential dilution effect of the Share Subscription; and (ix) conducted analysis on the possible financial effects of the Share Subscription.

We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders solely for their consideration of the Share Subscription and the Whitewash Waiver, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

We have taken into consideration the following principal factors and reasons in arriving at our opinion in respect of the Share Subscription and the Whitewash Waiver:

#### **A. Share Subscription under Specific Mandate**

##### ***1. Background and financial information of the Group***

As set out in the Letter from the Board, 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group's operating results extracted from (i) the 2023 Annual Report; and (ii) 2024 Interim Report:

*Summary of the Group's consolidated statements of profit and loss*

	For the six months ended		For the year ended	
	30 June		31 December	
	2024	2023	2023	2022
	(unaudited)	(unaudited)	(audited)	(audited)
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	77,601	92,888	181,337	113,040
– Equipment manufacturing and packages	38,247	57,594	101,374	61,026
– Supply chain and integration services	14,526	17,249	29,089	40,699
– Assets management and engineering services	24,828	18,045	50,874	11,315
Cost of sales	(60,063)	(75,913)	(140,340)	(85,294)
Gross profit	17,538	16,975	40,997	27,746
Profit before tax	6,088	5,322	13,955	26,455
Profit for the year attributable to owners of the Company	4,786	4,791	9,502	25,879

*Financial performance for the year ended 31 December 2023 as compared to that for the year ended 31 December 2022*

As set out in the 2023 Annual Report, for the year ended 31 December 2023, the Group recorded revenue of approximately US\$181.3 million, representing an increase of approximately 60.4% as compared to approximately US\$113.0 million recorded for the year ended 31 December 2022. Such increase was mainly driven by the growth in the (i) equipment manufacturing and package of approximately 66.1% which was mainly attributable to some orders for wind power business of larger contract amounts were completed and delivered in 2023, resulting in an overall amount higher than last year; and (ii) assets management and engineering services of approximately 349.6% which was mainly attributable to the new business in leasing of saturation diver supporting diving support construction vessels.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Gross profit increased from approximately US\$27.7 million for the year ended 31 December 2022 to approximately US\$41.0 million for the year ended 31 December 2023, which was attributable to the increase in revenue from the equipment manufacturing and package and assets management and engineering services as set out in the preceding paragraph. However, the gross profit margin decreased from approximately 24.5% for the year ended 31 December 2022 to approximately 22.6% for the year ended 31 December 2023, mainly attributable to the leasing business of diving support construction vessels with lower gross profit margin accounted for a larger proportion of the Group's total revenue.

The profit for the year ended 31 December 2023 attributable to owners of the Company decreased by approximately 63.3% from approximately US\$25.9 million for the year ended 31 December 2022 to approximately US\$9.5 million for the year ended 31 December 2023. Such decrease was mainly due to the decrease in share of results of a joint venture of approximately 100.0%. The decrease was mainly due to the joint venture disposed two vessels at an aggregate consideration of approximately US\$190,000,000 during the year ended 31 December 2022, as a result, share of gain on disposal of the two vessels of approximately US\$18,062,000 was included in share of profit of joint venture for the year ended 31 December 2022.

*Financial performance for the six months ended 30 June 2024 as compared to that for the six months ended 30 June 2023*

As set out in the 2024 Interim Report, the Group recorded revenue of approximately US\$77.6 million for the six months ended 30 June 2024, representing a decrease of approximately 16.5% as compared to approximately US\$92.9 million recorded for the six months ended 30 June 2023. Such decrease was mainly due to the equipment related to wind power installation being delivered for the corresponding period in 2023 more than the corresponding period in 2024.

Gross profit increased from approximately US\$17.0 million for the six months ended 30 June 2023 to approximately US\$17.5 million for the six months ended 30 June 2024 and the gross profit margin increased from approximately 18.3% for the six months ended 30 June 2023 to approximately 22.6% for the six months ended 30 June 2024, which was attributable to the projects with higher gross profit margin for the six months ended 30 June 2024 accounted for a larger proportion of the Group's total revenue compared to the six months ended 30 June 2023.

The profit for the six months ended 30 June 2024 attributable to owners of the Company decreased by approximately 0.1% from approximately US\$4,791,000 for the six months ended 30 June 2023 to approximately US\$4,786,000 for the six months ended 30 June 2024. Such decrease was mainly due to the decrease in other income, gains and losses, net of approximately 105.6%. The decrease was mainly due to the increase in foreign exchange loss.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *Summary of the Group's consolidated statements of financial position*

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b> <i>US\$'000</i>	<b>(audited)</b> <i>US\$'000</i>	<b>(audited)</b> <i>US\$'000</i>
<b>Non-current assets</b>	<b>72,974</b>	<b>81,446</b>	<b>38,796</b>
– Property, plant and equipment	47,059	53,237	20,904
– Interests in associates	16,556	16,497	6,810
<b>Current assets</b>	<b>234,724</b>	<b>244,855</b>	<b>239,878</b>
– Trade and other receivables	105,621	110,457	164,704
– Cash and cash equivalents	70,780	73,366	24,915
– Inventories	35,127	39,950	36,240
<b>Current liabilities</b>	<b>113,292</b>	<b>128,341</b>	<b>108,116</b>
– Trade and other payables	47,535	60,185	59,576
– Lease liabilities	35,897	29,707	14,657
– Contract liabilities	25,891	34,165	29,822
<b>Non-current liabilities</b>	<b>17,315</b>	<b>22,136</b>	<b>1,532</b>
– Lease liabilities	17,315	22,136	1,532
<b>Total equity</b>	<b>177,091</b>	<b>175,824</b>	<b>169,026</b>

*Note:* For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Financial position as at 31 December 2023 as compared to that as at 31 December 2022*

As at 31 December 2023, the Group's total assets amounted to approximately US\$326.3 million, representing an increase of approximately 17.1% as compared to approximately US\$278.7 million as at 31 December 2022, which mainly comprised (i) trade and other receivables of approximately US\$110.5 million as at 31 December 2023 as compared to approximately US\$164.7 million as at 31 December 2022; (ii) cash and cash equivalents of approximately US\$73.4 million as at 31 December 2023 as compared to approximately US\$24.9 million as at 31 December 2022; (iii) property, plant and equipment of approximately US\$53.2 million as at 31 December 2023 as compared to approximately US\$20.9 million as at 31 December 2022; (iv) inventories of approximately US\$40.0 million as at 31 December 2023 as compared to approximately US\$36.2 million as at 31 December 2022; and (v) interests in associates of approximately US\$16.5 million as at 31 December 2023 as compared to approximately US\$6.8 million as at 31 December 2022.

As at 31 December 2023, the Group's total liabilities amounted to approximately US\$150.5 million, representing an increase of approximately 37.3% as compared to approximately US\$109.6 million as at 31 December 2022, which primarily comprised (i) trade and other payables of approximately US\$60.2 million as at 31 December 2023 as compared to approximately US\$59.6 million as at 31 December 2022; (ii) contract liabilities of approximately US\$34.2 million as at 31 December 2023 as compared to approximately US\$29.8 million as at 31 December 2022; (iii) lease liabilities in current portion of approximately US\$29.7 million as at 31 December 2023 as compared to approximately US\$14.7 million as at 31 December 2022; and (iv) lease liabilities in non-current portion of approximately US\$22.1 million as at 31 December 2023 as compared to approximately US\$1.5 million as at 31 December 2022.

As at 31 December 2023, total equity of the Company amounted to approximately US\$175.8 million, as compared to approximately US\$169.0 million as at 31 December 2022.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Financial position as at 30 June 2024 as compared to that as at 31 December 2023*

As at 30 June 2024, the Group's total assets amounted to approximately US\$307.7 million, representing a decrease of approximately 5.7% as compared to approximately US\$326.3 million as at 31 December 2023, which mainly comprised (i) trade and other receivables of approximately US\$105.6 million as at 30 June 2024 as compared to approximately US\$110.5 million as at 31 December 2023; (ii) cash and cash equivalents of approximately US\$70.8 million as at 30 June 2024 as compared to approximately US\$73.4 million as at 31 December 2023; (iii) property, plant and equipment of approximately US\$47.1 million as at 30 June 2024 as compared to approximately US\$53.2 million as at 31 December 2023; (iv) inventories of approximately US\$35.1 million as at 30 June 2024 as compared to approximately US\$40.0 million as at 31 December 2023; and (v) interests in associates of approximately US\$16.6 million as at 30 June 2024 as compared to approximately US\$16.5 million as at 31 December 2023.

As at 30 June 2024, the Group's total liabilities amounted to approximately US\$130.6 million, representing a decrease of approximately 13.2% as compared to approximately US\$150.5 million as at 31 December 2023, which primarily comprised (i) trade and other payables of approximately US\$47.5 million as at 30 June 2024 as compared to approximately US\$60.2 million as at 31 December 2023; (ii) lease liabilities in current portion of approximately US\$35.9 million as at 30 June 2024 as compared to approximately US\$29.7 million as at 31 December 2023; (iii) contract liabilities of approximately US\$25.9 million as at 30 June 2024 as compared to approximately US\$34.2 million as at 31 December 2023; and (iv) lease liabilities in non-current portion of approximately US\$17.3 million as at 30 June 2024 as compared to approximately US\$22.1 million as at 31 December 2023.

As at 30 June 2024, total equity of the Company amounted to approximately US\$177.1 million, as compared to approximately US\$175.8 million as at 31 December 2023.

We noted from the above financial information that the balance of cash and cash equivalents of the Company was approximately US\$70.8 million as at 30 June 2024, as discussed with the Management and set out in the Letter from the Board, 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, please refer to the section headed "REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION AND USE OF PROCEEDS" in the Letter from the Board and the announcement of the Company dated 11 December 2023 for further details, therefore the net proceeds from the subject Share Subscription will be essential for the development of hydrogen, machinery and electricity related businesses, which 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.



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## **2. 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.

## **3. Reasons for and benefits of the Share Subscription**

As set out in the Letter from the Board, 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 to develop the Group’s business in the green energy sector to cope with the global energy revolution. The net proceeds will also be used to supplement the Company’s general liquidity.

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

With reference to the Letter from the Board, the Company intends to use the net proceeds for the development of hydrogen, machinery and electricity related businesses, such funding will provide necessary funding for 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, achieving its medium and long term goals. These initiatives will enhance the Company's operational scale and industry ranking, helping to realize its growth potential and sustain its long-term competitiveness.

We have discussed with the Management regarding further details of the aforesaid plans in using the net proceeds, being (i) approximately 46.8% of the net proceeds from the Share Subscription are intended to be used to enhance the Company's hydrogen energy business, focusing on the next generation research and development 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 the research and development team; (ii) approximately 46.8% will be used in the operation of green energy related projects, projects with demonstration effect, representing exemplary projects demonstrating the relevant features of the operation of green energy with the intention of marketing to attract potential customers; and (iii) the remaining net proceeds will be used to supplement the Company's general liquidity. We note from the 2023 Annual Report and as discussed and confirmed with the Management that it is consistent with the aforesaid plan, being the medium to long term goal of the Company, to focus on the synergistic development of green energy technology development and application, high-end energy equipment research and development and manufacturing, in particular the strategy transformation of the Group by continuing to develop the Group's business in the green energy sector in line with the global energy revolution, and will rely its' technological expertise in conventional energy and experience in hydrogen energy and offshore wind power to achieve comprehensive development. In view of the above, we consider the intended use of the net proceeds to be justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition to the benefits mentioned above, we are of the view that the use of proceeds for the development of hydrogen, machinery and electricity related businesses is in line with the development plan of the PRC government and the Company's development strategy. In this respect, we have considered the following:

- (i) according to the "Hydrogen Industry Development Mid- to Long-Term Plan" (2021-2035)\* 《氫能產業發展中長期規劃（2021-2035年）》 published by the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA) of the PRC on 23 March 2022, by 2030, it plans to establish a comprehensive technological innovation system for the hydrogen industry, develop a clean energy hydrogen production and supply system, and strongly support the achievement of the carbon peak goal. By 2035, the industry aims to create a diverse hydrogen application ecosystem and significantly increase the proportion of renewable energy hydrogen in end-use energy consumption;
- (ii) as further mentioned in the "Hydrogen Industry Development Mid- to Long-Term Plan" (2021-2035)\* 《氫能產業發展中長期規劃（2021-2035年）》， it outlines key measures to promote high-quality development of the hydrogen industry: first, it aims to systematically build an innovation system for the hydrogen industry, focusing on key areas and critical stages. This includes creating an industrial innovation support platform, continuously enhancing core technological capabilities, and fostering the development of a professional talent team. Second, it coordinates the construction of hydrogen infrastructure by strategically placing hydrogen production facilities and steadily building a storage and transportation system along with a hydrogen refueling network. Third, it promotes the diversified application of hydrogen in an orderly manner, including in the transportation and industrial sectors, while exploring pathways for commercial development. The Group can be beneficial from the above various stages development plan from its expertise and research and development team;
- (iii) 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; and
- (iv) the Group has made continuous effort in enhancing the future commercialisation of hydrogen industry. With reference to the 2024 Interim Report, the "R&D and Industrialization of Off-grid High-performance Alkaline Hydrogen Generation Equipment"\* (離網高性能鹼性制氫裝備研發及產業化) project of Hua Xia Hydrogen Technology (Xiamen) Co., Ltd.\* (華商廈庚氫能技術(廈門)有限公司), the Group's associate, won the gold prize in the 3rd TERA-Award Smart Energy Innovation Competition out of 450 projects from 59 countries and regions around the world; and the first sale of hydrogen electrolysis equipment was realised. The Company is also actively seizing the opportunities of the booming global hydrogen industry to proactively connect with overseas hydrogen projects.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we are of the view that the use of proceeds for the development of hydrogen, machinery and electricity related businesses is in line with the Group's existing development strategy and supports the growth of its principal businesses.

Taking into account the above, (i) the Share Subscription will provide necessary funding to the Company for its continuous business development; (ii) the use of proceeds for the development of hydrogen, machinery and electricity related businesses is in line with the development plan of the PRC government and the Company's own medium and long term development strategy; and (iii) the Share Subscription indicates confidence in the continued long-term growth of the Company from the Subscriber, we consider that although the Share Subscription is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of the Share Subscription**

Set out below are the principal terms and conditions of the Subscription Agreement, details of which are set out in the section headed "THE SHARE SUBSCRIPTION" in the Letter from the Board:

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

**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; 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;
- (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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (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" in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Conditions precedent of the Share Subscription*

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

### *Other terms of the Subscription Agreement*

For details of other terms of the Subscription Agreement, including termination of the Subscription Agreement please refer to the section headed “THE SHARE SUBSCRIPTION” in the Letter from the Board.

### **5. *Fund-raising activities of the Company during the past twelve months***

As set out in the Letter from the Board, 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.

### **6. *Analysis on the Subscription Price***

The Subscription Price of HK\$0.20 per Subscription Share 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; 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;
- (c) 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;
- (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 last 30 consecutive trading days immediately prior to the date of the Subscription Agreement;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (e) 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;
- (f) 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; and
- (g) 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.

With a view to assessing the fairness and reasonableness of the Subscription Price, we have performed review and/or analysis on (i) the daily closing price of the Shares as quoted on the Stock Exchange for (a) a period of twelve months prior to the date of the Subscription Agreement, from 29 December 2023 up to and including the date of the Subscription Agreement (i.e. 30 December 2024) (the “**First Review Period**”). A review period of twelve months was selected on the basis that it is a commonly adopted timeframe for share price analysis in the market that is adequately lengthy to illustrate the recent trend of the closing prices of the Shares, which in turn facilitates our analysis on the Subscription Price, the closing prices of the Shares and its trading volume for the purpose of assessing the fairness and reasonableness of the Subscription Price; and (b) the period commencing from 31 December 2024, being the trading day immediately after the date of the Subscription Agreement and up to and including the Latest Practicable Date (the “**Second Review Period**”, together with the First Review Period, the “**Review Period**”); (ii) the trading volume of the Shares during the Review Period; and (iii) market comparable transactions, including comparable share issues.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## (i) Analysis on the performance of historical closing Share price

With a view to assessing the reasonableness of the Subscription Price, we have conducted analysis on the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period and set out in the chart below:



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Since the commencement of the First Review Period and up to 10 September 2024, the closing Share prices were broadly stable and fell within the range of HK\$0.183 (29 August 2024, 30 August 2024 and 2 September 2024) to HK\$0.250 (29 December 2023). However, the closing Share price experienced a general decline since 11 September 2024 from HK\$0.167 (11 September 2024) to HK\$0.132 (19 September 2024). During the aforesaid period, namely from the commencement of the First Review Period up to the 19 September 2024, the Company issued (a) 2023 Annual Report dated 19 April 2024; and (b) 2024 Interim Report dated 16 September 2024, which reported a profit attributable to owners of the Company of approximately US\$4,786,000 for the six months ended 30 June 2024 compared to approximately US\$4,791,000 for the six months ended 30 June 2023. Subsequently, from 20 September 2024 and up to the date of the Subscription Agreement (i.e. 30 December 2024), the closing Share price fluctuated and fell within the range of HK\$0.137 (20 September 2024) to HK\$0.203 (7 October 2024).

In summary, the Subscription Price of HK\$0.20 is (a) within range of the closing Share price during the First Review Period between HK\$0.132 and HK\$0.250; (b) at a premium over the closing Share price as at the date of the Subscription Agreement; and (c) at a premium over the average closing price of each of the five, ten, 30 and 60 consecutive trading days immediately prior to the date of the Subscription Agreement of approximately HK\$0.159, approximately HK\$0.163, approximately HK\$0.172 and approximately HK\$0.180 per Share as quoted on the Stock Exchange, respectively, being commonly adopted parameters for assessing the fairness and reasonableness of the subscription price for similar transactions in the market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Since the Company issued interim results for the six months ended 30 June 2024 on 27 August 2024 (the “**2024 Interim Results Announcement**”), the closing prices of the Shares before the publication of 2024 Interim Results Announcement may not reflect the latest business development and financial position of the Group, we considered that the more recent the closing prices of the Shares since the publication of 2024 Interim Results Announcement, the more relevant it would be for our assessment of the fairness and reasonableness of the Subscription Price. We noted that the average closing price of approximately HK\$0.176 per Shares as quoted on the Stock Exchange since the trading day after the publication of 2024 Interim Results Announcement (i.e. 28 August 2024) and up to the last trading day immediately prior to the date of the Subscription Agreement (i.e. 27 December 2024), which is at a premium of approximately 13.48% over the Subscription Price. The closing Share price analysis for the Review Period is for illustration and information purposes. As the Shareholders, who are not Directors or insiders of the Company, are free to trade the Shares of their own accord, we considered that the closing Share prices, particularly those close to the date of the Subscription Agreement, are a reflection of the market value of the Shares, thus we considered it to be one of the appropriate benchmarks to assess the fairness and reasonableness of the Subscription Price.

For the Second Review Period, the closing Share price ranged from HK\$0.207 (10 February 2025) to HK\$0.218 (3 February 2025 and 4 February 2025). It is noted that the general increase trend of the closing Share price during the Second Review Period may be affected by the market reactions in response to the Share Subscription and the Whitewash Waiver as set out in the Announcement. On this basis, the closing Share prices of the Second Review Period have their limitations for assessing the fairness and reasonableness of the Subscription Price. Therefore, when considering the fairness and reasonableness of the Subscription Price, we have primarily focused our analysis on the closing Share prices for the trading days after the publication of 2024 Interim Results Announcement and up to the last trading day immediately prior to the date of the Subscription Agreement during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Analysis on the trading liquidity of the Shares during the Review Period*

As part of our assessment on the Subscription Price, we have also conducted analysis on the trading liquidity of the Shares during the Review Period and set forth below a summary of (a) number of trading days of each month; (b) the monthly trading volume of Shares; (c) the average daily trading volume of Shares of each month; (d) the average daily trading volume as a percentage of the then total number of Shares issued of each month; and (e) average daily trading volume as a percentage of the then total number of Shares held by public Shareholder of each month:

	Total trading volume of Shares of the month	Number of trading days of the month	Average daily trading volume of Shares of the month	Average daily trading volume as a percentage of the then total number of Shares issued <sup>(Note 1)</sup>	Average daily trading volume as a percentage of the then total number of Shares held by public Shareholders <sup>(Note 2)</sup>
	<i>Number of Shares</i>	<i>Days</i>	<i>Number of Shares</i>	<i>Approximate percentage (rounded to 3 decimal places)</i>	<i>Approximate percentage (rounded to 3 decimal places)</i>
<b>2023</b>					
December	47,000	1	47,000	0.001%	0.003%
<b>2024</b>					
January	8,240,000	22	374,545	0.012%	0.027%
February	7,436,000	19	391,368	0.012%	0.028%
March	11,404,000	20	570,200	0.018%	0.041%
April	7,750,000	20	387,500	0.012%	0.028%
May	10,493,000	21	499,667	0.015%	0.036%
June	1,184,000	19	62,316	0.002%	0.004%
July	2,489,000	22	113,136	0.003%	0.008%
August	3,041,000	22	138,227	0.004%	0.010%
September	7,306,000	19	384,526	0.012%	0.028%
October	4,598,000	21	218,952	0.007%	0.016%
November	1,968,000	21	93,714	0.003%	0.007%
December	16,369,000	20	818,450	0.025%	0.059%
<b>2025</b>					
January	12,649,000	19	665,737	0.021%	0.048%
February (up to and including the Latest Practicable Date, i.e. 10 February 2025)	1,556,000	6	259,333	0.008%	0.019%
<b>Average</b>				0.010%	0.024%
<b>Maximum</b>				0.025%	0.059%
<b>Minimum</b>				0.001%	0.003%

Source: *The website of the Stock Exchange (www.hkex.com.hk)*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:*

- (1) Calculated based on the total number of Shares in issue at the respective month end.
- (2) Calculated based on the total number of the Shares held by public shareholders as set out in the Letter from the Board as at the Latest Practicable Date.

As set out in the table above, the average daily trading volume of the Shares ranged from approximately 47,000 Shares (December 2023) to approximately 818,450 Shares (December 2024) during the Review Period, the low-end and high-end of the range respectively represent an average daily trading volume of approximately 0.001% (December 2023) to 0.025% (December 2024) of the then total number of Shares in issue, and approximately 0.003% to 0.059% of the total number of Shares held by public Shareholders. On this basis, the overall liquidity of the Shares has been thin in general during the Review Period, which typically indicates that it would be difficult for the Company to conduct sizeable equity financing alternatives without a notable discount.

*(iii) Fund raising alternatives considered by the Company*

We noted from the Letter from the Board that the Company had explored and assessed other financing alternatives, including both debt and equity financing, prior to entering into the Subscription Agreement with the Subscriber.

Among the other financing alternatives available to the Company, the Company considered that the Share Subscription is an appropriate and cost effective fundraising method to the Company. Comparing to debt financing, the Share Subscription is lower in finance cost, with reference to the data and statistics released by the Hong Kong Monetary Authority<sup>1</sup>, the interest rates for 1-year loan and 10-year loan were approximately 4.75% and 3.81%, respectively, representing the cost would be no less than approximately HK\$15.2 million or HK\$12.2 million per year calculated based on the consideration, and not required to provide collaterals and able to optimise the capital structure of the Company. Comparing to other equity issuance methods, such as rights issue, open offer and placing new shares to an independent third party, as discussed with the Company and the financial adviser to the Company, such costs would be no less than approximately HK\$5.0 million including the underwriting commission, the Share Subscription is lower in issuance cost and is less time-consuming.

<sup>1</sup> Data and statistics released by the Hong Kong Monetary Authority (<https://www.hkma.gov.hk/eng/data-publications-and-research/data-and-statistics/economic-financial-data-for-hong-kong/>)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iv) *Analysis on transactions which involved the issuance of shares under specific mandate*

Having considered the background of the Share Subscription, including that the Subscription Shares will be allotted and issued under Specific Mandate, we have conducted market research with a view to identifying transactions of listed companies based on the following criteria (the “**Initial Share Issuance Criteria**”), namely:

- (a) transactions that involved (aa) the issuance of shares under specific mandate (excluding transactions involving issuance for restructuring scheme or acquisition purposes given that such transactions often involve broader financial reorganisation and complex financial manoeuvres); and (bb) whitewash waiver;
- (b) the announcement(s) in relation to subject transactions as set out under paragraph (a) above is published by a company listed on the Stock Exchange, during the period commencing from twelve months prior to the date of the Subscription Agreement (i.e. 29 December 2023) and up to and including the Latest Practicable Date (the “**Initial Comparable Review Period**”); and
- (c) the subject transaction has obtained the relevant independent shareholders’ approval.

Based on the Initial Share Issuance Criteria, we have identified five comparable transactions. Given the limited number of comparable transactions, with a view to obtain a larger and more representative sample size, we have extended the Initial Comparable Review Period to a period of two years prior to the date of the Subscription Agreement (i.e. 29 December 2022) and up to and including the Latest Practicable Date (the “**Final Comparable Review Period**”) while keeping all other Initial Share Issuance Criteria the same (together, the “**Final Share Issuance Criteria**”). On this basis, we have identified an exhaustive list of 11 share issuances (the “**Share Issuance Comparables**”).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the Share Issuance Comparables may be undertaken by listed companies with different background, business nature, financial performance, financial position and size. However, as no transactions are identical in all material aspects and the Share Issuance Comparables have been selected based on the Share Issuance Criteria which are determined based on the key characteristics of the Share Subscription, namely the issuance of shares under specific mandate, we considered the Share Issuance Comparables to be a representative sample and can serve as a useful general market reference for recent market practice in relation to terms of issuance of shares under specific mandates for the purpose of our analysis. We have set out our analysis in the following table:

Company name (stock code)	Date of announcement	Premium/(Discount) of subscription price over/to				Maximum dilution effect to the existing public shareholders attributable to the subject agreement (Note 2)
		the average closing price per share for the last five consecutive trading days immediately prior to/including the respective announcement/ agreement	the average closing price per share for the last ten consecutive trading days immediately prior to/including the respective announcement/ agreement (Note 1)	the average closing price per share for the last 30 consecutive trading days immediately prior to/including the respective announcement/ agreement (Note 1)	the average closing price per share for the last 30 consecutive trading days immediately prior to/including the respective announcement/ agreement (Note 1)	
Changan Minsheng APLL Logistics Co., Ltd. (1292)	22 August 2024	47.87%	45.55%	47.09%	38.31%	6.87%
Sinopharm Tech Holdings Limited (8156)	14 June 2024	(18.70%)	(18.70%)	(18.00%)	(13.00%)	65.70%
Lianhua Supermarket Holdings Co., Ltd. (980)	12 May 2024	249.37%	273.05%	323.27%	396.77%	8.10%
China Qidian Guofeng Holdings Limited (1280)	18 March 2024	(31.37%)	(31.64%)	(30.97%)	(42.24%)	39.28%
Enviro Energy International Holdings Limited (1102)	7 February 2024	(10.70%)	(5.70%)	(0.20%)	11.40%	43.94%
Denox Environmental & Technology Holdings Limited (1452)	6 November 2023	(4.00%)	2.56%	(1.44%)	(10.95%)	8.85%

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of announcement	Premium/(Discount) of subscription price over/to the average closing price per share for the last five consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/ agreement (Note 1)				Maximum dilution effect to the existing public shareholders attributable to the subject agreement (Note 2)
		the average closing price per share for the last ten consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/ agreement (Note 1)	the average closing price per share for the last 30 consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/ agreement (Note 1)	the average closing price per share for the last 30 consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/ agreement (Note 1)	the average closing price per share for the last 30 consecutive trading days immediately prior to/including the respective last trading day/date of the respective announcement/ agreement (Note 1)	
China Greenland Broad Greenstate Group Company Limited (1253)	27 September 2023	(16.67%)	(6.54%)	(12.28%)	(15.25%)	7.10%
VPower Group International Holdings Limited (1608)	12 June 2023	2.44%	5.00%	7.69%	13.51%	21.76%
Energy International Investments Holdings Limited (353)	28 April 2023	(5.50%)	(8.40%)	(7.60%)	(32.20%)	23.35%
HONGHUA GROUP LIMITED (196)	18 January 2023	(1.71%)	(3.51%)	(1.63%)	4.89%	19.47%
COFCO Joycome Foods Limited (1610)	11 January 2023	(1.71%)	(2.13%)	0.88%	(4.55%)	10.40%
	<b>Maximum</b>	249.37%	273.05%	323.27%	396.77%	65.70%
	<b>Minimum</b>	(31.37%)	(31.64%)	(30.97%)	(42.24%)	6.87%
	<b>Average</b>	19.03%	22.69%	27.89%	31.52%	23.17%
	<b>Median</b>	(4.00%)	(3.51%)	(1.44%)	(4.55%)	19.47%
The Company		25%; 29.03% (Note 3)	25.79%	22.7%	16.28%	14.3%



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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**”).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 <i>(Note 1)</i> (HK\$'million)	P/B Ratio <i>(Note 1)</i> (times)	P/E Ratio <i>(Note 1)</i> (times)
Shandong Molong Petroleum Machinery Co., Ltd (“ <b>Shandong Molong</b> ”) (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 <i>(Note 2)</i>
Shengli Oil & Gas Pipe Holdings Limited (“ <b>Shengli Oil &amp; Gas</b> ”) (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 <i>(Note 2)</i>
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (“ <b>Chu Kong</b> ”) (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 (“ <b>Petro-king Oilfield</b> ”) (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 <i>(Note 2)</i>

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name ( <i>stock code</i> )	Principal business	Market Capitalisation <i>(Note 1)</i>  (HK\$ million)	P/B Ratio <i>(Note 1)</i>  (times)	P/E Ratio <i>(Note 1)</i>  (times)
Wison Engineering Services Co. Ltd. ("Wison 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 <i>(Note 2)</i>
	<b>Maximum</b>		0.57	0.83
	<b>Minimum</b>		0.13	0.83
	<b>Average</b>		0.36	0.83
	<b>Median</b>		0.33	0.83
	<b>The Company</b>	648.7 <i>(Note 3)</i>	0.47 <i>(Note 4)</i>	8.74 <i>(Note 4)</i>

*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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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(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
<b>The Subscriber and parties in concert with it</b>	<b>1,786,471,000</b>	<b>55.08%</b>	<b>3,408,188,000</b>	<b>70.05%</b>
Prime Force Investment Corporation <sup>(Note 1)</sup>	1,530,372,000	47.18%	1,530,372,000	31.46%
The Subscriber	–	–	1,621,717,000	33.33%
CIMC(HK) <sup>(Note 2)</sup>	185,600,000	5.72%	185,600,000	3.81%
Trustee <sup>(Note 3)</sup>	70,499,000	2.18%	70,499,000	1.45%
<b>Director</b>				
Zhang Menggui, Morgan <sup>(Note 4)</sup>	65,979,100	2.04%	65,979,100	1.36%
<b>Public Shareholders</b>	<b>1,390,983,814</b>	<b>42.88%</b>	<b>1,390,983,814</b>	<b>28.59%</b>
<b>Total</b>	<b>3,243,433,914</b>	<b>100.00%</b>	<b>4,865,150,914</b>	<b>100.00%</b>



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.*

## (A) SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following summary of financial information for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 as extracted from the consolidated financial statements of the Company as set forth in the annual reports and interim report of the Company.

	For the year ended 31 December			For the six months ended
	2023	2022	2021	30 June
	(audited) US\$'000	(audited) US\$'000	(audited) US\$'000	(unaudited) US\$'000
Revenue	<b>181,337</b>	<b>113,040</b>	<b>57,027</b>	<b>77,601</b>
Cost of sales	(140,340)	(85,294)	(36,363)	(60,063)
Gross profit	<b>40,997</b>	<b>27,746</b>	<b>20,664</b>	<b>17,538</b>
Other income, gains and losses, net	4,207	3,618	4,723	(101)
Selling and distribution expenses	(2,496)	(2,693)	(3,914)	(1,134)
General and administrative expenses	(25,454)	(21,934)	(19,775)	(10,451)
Other expenses	(822)	(2,571)	(1,919)	(137)
Impairment losses under expected credit loss model, net of reversal	(2,274)	3,152	3,418	–
Gain on disposal of non-current assets classified as held for sale	–	–	11,407	–
Finance costs	(123)	(161)	(489)	(73)
Share of results of associates	(78)	(47)	255	446
Share of results of a joint venture	(2)	19,345	1,370	–
Profit before taxation	<b>13,955</b>	<b>26,455</b>	<b>15,740</b>	<b>6,088</b>
Income tax expense	(4,346)	(565)	(6,396)	(1,304)
Profit for the year/period	<b>9,609</b>	<b>25,890</b>	<b>9,344</b>	<b>4,784</b>
Profit for the year/period attributable to:				
Owners of the Company	9,502	25,879	9,220	4,786
Non-controlling interests	107	11	124	(2)
	<b>9,609</b>	<b>25,890</b>	<b>9,344</b>	<b>4,784</b>

	For the year ended 31 December			For the six months ended
	2023	2022	2021	30 June
	(audited) US\$'000	(audited) US\$'000	(audited) US\$'000	(unaudited) US\$'000
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss:</i>				
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	837	(64)	112	(1,655)
Share of other comprehensive income of joint venture	325	2,358	1,026	1
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(1,559)	(7,736)	2,559	(1,863)
<b>Total comprehensive income for the year</b>	<b>9,212</b>	<b>20,448</b>	<b>13,041</b>	<b>1,267</b>
Total comprehensive income attributable to:				
Owners of the Company	9,113	20,458	12,850	1,269
Non-controlling interests	99	(10)	191	(2)
	<b>9,212</b>	<b>20,448</b>	<b>13,041</b>	<b>1,267</b>
<b>Earnings per Share attributable to owners of the Company</b>				
Basic and diluted ( <i>US\$ cents</i> )	0.30	0.82	0.29	0.15
<b>Dividend</b>				
Final dividend per Share in respect of the year ended 31 December 2022 ( <i>HK cents</i> )	1.00	–	–	–
Amount of dividend attributable to owners of the Company ( <i>US\$'000</i> )	4,052	–	–	–

Save as disclosed above, the Group had no other material items of income or expense for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

The auditors of the Company for the years ended 31 December 2021 and 2022 were KPMG. The auditors of the Company for the year ended 31 December 2023 were SHINEWING (HK) CPA. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the three years ended 31 December 2021, 2022 and 2023.

There was no change in the Group's accounting policy during the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

The financial information of the Group for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 are disclosed in the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024, which have been published on the websites of the Company ([www.cmicholding.com](http://www.cmicholding.com)) and the Stock Exchange (<http://www.hkexnews.hk>) as follows and are incorporated by reference into this circular:

- (i) from pages 112 to 226 of the annual report of the Company for the year ended 31 December 2021 published on 20 April 2022, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000566.pdf>
- (ii) from pages 145 to 258 of the annual report of the Company for the year ended 31 December 2022 published on 19 April 2023, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0419/2023041900455.pdf>
- (iii) from pages 161 to 285 of the annual report of the Company for the year ended 31 December 2023 published on 19 April 2024, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0419/2024041900041.pdf>
- (iv) from pages 3 to 22 of the interim report of the Company for the six months ended 30 June 2024 published on 16 September 2024, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0916/2024091600326.pdf>

**(B) INDEBTEDNESS**

As at 31 December 2024, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other bank overdrafts, loans, debt securities or other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities.

**(C) NO MATERIAL CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.



**(D) FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Company, primarily engaged in hydrogen-based fuel equipment production and sales, energy and marine equipment manufacturing, and electric drive and control, provides comprehensive services including research and development, design, manufacturing and assets management. By mastering core technologies, forging manufacturing capabilities, creating competitive products, the Company is committed to becoming an industry leading provider of technologically innovative green energy and equipment services.

Since 2021, the global shipping market has entered an upward cycle. Driven by multiple factors such as an increase in global trade volume, rising demand for replacement of aging fleets and stricter environmental regulations, orders for new ships have been steadily increasing, significantly boosting the shipbuilding market's vitality. From January to November 2024, orders for all types of new ships (exceeding 1,000 gross tons) reached approximately 152 million deadweight tons, representing a year-on-year growth of 34.3%. According to Clarkson's data, new ship orders for the full year of 2024 will be approximately 2,200 ships, or 110 million gross tons, reflecting a 26% increase compared to 2023 (measured by tonnage). For 14 consecutive years, China's shipbuilding industry has maintained its leading position globally across three key shipbuilding indicators and is the only country to achieve all-rounded growth in these indicators. From January to November 2024, global new ship orders amounted to 2,159 ships, with Chinese shipbuilders securing 1,518 new ship orders, accounting for over 70% of total orders. New orders secured by China totaled 120 million deadweight tons, representing 76% of the total. This not only indicates the robust development momentum of China's shipbuilding industry on a global scale, but also profoundly reflects the significant enhancement of its overall strength.

On 2 August 2024, the Ministry of Transport and the National Development and Reform Commission issued the Implementation Rules for Subsidies for Scrapping and Updating of Aging Operational Transport Ships (《交通運輸老舊營運船舶報廢更新補貼實施細則》) (hereinafter, the Implementation Rules). It is proposed that from the date of issuance of the Implementation Rules to 31 December 2028, subsidies will be provided in accordance with the standards specified in the Implementation Rules for the scrapping and updating of aging operational ships domestically. Additionally, the National Development and Reform Commission and the Ministry of Finance previously issued the Measures on Further Supporting the Large-Scale Renewal of Equipment and Replacement of Consumer Goods (《關於加力支援大規模設備更新和消費品以舊換新的若干措施》), which also supports the scrapping and updating of aging operational ships and trucks. For conversion into fuel-powered or new and clean energy ships upon scrapping, subsidies ranging from RMB1,500 to RMB3,200 per gross ton are offered depending on ship type; for building new and clean energy ships, subsidies ranging from RMB1,000 to RMB2,200 per gross ton are offered based on ship type; for early decommissioning of aging operational ships, an average subsidy of RMB1,000 per gross ton is provided. The introduction of these policies will continually drive the upgrading of ship equipment and the transition to green technologies, stimulating the market demand for related ancillary equipment.

In the realm of green energy, policy easing is expected to accelerate the development of the hydrogen energy industry and facilitate project implementation. On 8 November 2024, during the 12th session of the Standing Committee of the 14th National People's Congress, the Energy Law of the People's Republic of China was enacted, officially designating hydrogen energy as a recognised energy category. This allows hydrogen energy to have a place in national comprehensive energy planning, sectoral energy planning, and development plans of provinces, cities and districts. It also indicates that the state will plan and guide the hydrogen energy industry from a top-level design perspective, fostering its development in synergy with other energy industries. Currently, provinces such as Hebei, Liaoning and Jilin have adopted measures allowing the production of green hydrogen outside of chemical park zones, with no requirement for hazardous chemical safety production licenses, significantly reducing constraints on green hydrogen production.

Recently, the General Office of the Ministry of Industry and Information Technology, the General Office of the National Development and Reform Commission, and the General Office of the National Energy Administration issued the Implementation Plan for Accelerating Clean Low-Carbon Hydrogen Application in the Industrial Sector (《加快工業領域清潔低碳氫應用實施方案》). The plan specifically highlights fuel cell vehicles and promotes the high-quality development of fuel cell vehicles demonstration city clusters, accelerates the promotion of vehicles and the construction of hydrogen energy supply systems, as well as drives the iterative development and application of technologies and products in the hydrogen fuel cell vehicle industry chain. According to the Medium and Long-term Plan for the Development of Hydrogen Energy Industry (2021-2035) (《氫能產業發展中長期規劃（二零二一—二零三五年）》), by 2025, the number of fuel cell vehicles is expected to reach about 50,000, with the deployment and construction of several hydrogen refueling stations and renewable energy-based hydrogen production capacity reaching 100,000 to 200,000 tonnes/year.

Looking forward, the Company is committed to its strategic goals and development plans: In the field of energy and marine equipment manufacturing, the Company intends to leverage the upward cycle in the shipbuilding industry to actively promote technological progress and industrial upgrading in the field of marine ancillary products. In particular, the Company will focus research and development efforts on green products such as energy-saving, lower carbon footprint, and fuel-efficient ships. By doing so, the Company aims to expand its product offerings and create green ship products protected by proprietary intellectual property rights as well as continue to promote the industrial upgrading and technological innovation of the sector.

Within the green energy sector, the Company continues to prioritise hydrogen-based energy trading, hydrogen production equipment sales, commissioning green projects, and green certification and consultation as its main business directions. The Company is attentive to the investment landscape in key upstream and downstream enterprises in the industrial chain in the green hydrogen, energy storage, and hydrogen refueling stations industries, and proactively participates in upstream hydrogen-based green energy production. The Company will focus on projects that “are of at least a certain scale, economically viable, manageable in terms of risk, and of exemplary value”. Leveraging the China Merchants Group's brand and platform, it aims to establish an ecosystem driving bulk sales of hydrogen production equipment and secure a stable sales income from hydrogen-based energy through investments, joint ventures, and bundled sales.

With regard to electric drive and control, on the solid foundation of maintaining the stable development of usual businesses such as marine engineering equipment, onshore rigs, full ship automation, and marine oil-electric hybrid power systems, the Company embraces an innovation-driven development vision and further expands its business areas. On the basis of actively embracing artificial intelligence technology and integrating new industries such as next-generation communication technologies, the Company will explore applications in emerging fields like new energy and intelligent control, promoting the high-quality development of the Company's electric control business.

**(A) RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any of the statements in this circular misleading.

**(B) SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and upon completion of the issuance and allotment of the Subscription Shares will be, as follows:

## (a) As at the Latest Practicable Date:

<i>Authorised:</i>	<i>Aggregate nominal value (HK\$)</i>
10,000,000,000 Shares of HK\$0.10 each	1,000,000,000
<i>Issued and fully paid:</i>	
3,243,433,914 Shares of HK\$0.10 each	324,343,391.4

## (b) Immediately following the issuance and allotment of the Subscription Shares:

<i>Authorised:</i>	<i>Aggregate nominal value (HK\$)</i>
10,000,000,000 Shares of HK\$0.10 each	1,000,000,000
<i>Issued and fully paid:</i>	
3,243,433,914 Shares of HK\$0.10 each	324,343,391.4
1,621,717,000 Subscription Shares of HK\$0.10 each to be issued and allotted under the Share Subscription	162,171,700
<b>4,865,150,914 Shares of HK\$0.10 each</b>	<b>486,515,091.4</b>

All the Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital.

Save for the Subscription Shares to be issued under the Share Subscription, the Company had not issued any Shares since 31 December 2024.

No application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

### (C) MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of each of the six calendar months before the date of the Announcement and up to the Latest Practicable Date; (ii) the last full trading day before the release of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
28 June 2024	0.21
31 July 2024	0.20
30 August 2024	0.18
30 September 2024	0.18
31 October 2024	0.19
29 November 2024	0.18
27 December 2024 (the last Business Day before the date of the Announcement)	0.155
31 December 2024	0.212
28 January 2025	0.215
10 February 2025 (being the Latest Practicable Date)	0.207

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.218 on 19 July 2024, 22 July 2024, 23 July 2024, 24 July 2024, 3 February 2025 and 4 February 2025 and HK\$0.132 on 19 September 2024.

**(D) DISCLOSURE OF INTERESTS****(I) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules; or (iv) disclosed pursuant to the Takeovers Code, were as follows:

Name	Company	Capacity	Type of Interest	Approximate	
				Number of Shares	% of Shareholding (Note 1)
Mr. Zhang Menggui, Morgan	the Company	Beneficial owner	Long Position	65,979,100	2.04%

*Note:*

(1) The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code; (ii) entered in the register required to be kept under Section 352 of the SFO; or (iii) disclosed pursuant to the Takeovers Code.

**(II) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, other than the interests of the Directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which were recorded in the register to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate% of Issued Share Capital of the Company (Note 4)
CM Group (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants Steam Navigation Company Limited (“CM Steam Navigation”) (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants Industry Holdings Co., Ltd. (“CM Industry”)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants Heavy Industry Holdings Limited (“CM Heavy Industry”) (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
Prime Force Investment Corporation (Note 1)	Beneficial owner	Long Position	1,530,372,000	47.18%
Minyun Limited	Beneficial owner	Long Position	284,751,000	8.78%
CIMC (Note 2)	Interest of controlled corporation	Long Position	185,600,000	5.72%
CIMC(HK) (Note 2)	Beneficial owner	Long Position	185,600,000	5.72%
China State Shipbuilding Corporation Limited (“CSSC”) (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%
CSSC Offshore & Marine Engineering (Group) Company Limited (“CSSC Offshore”) (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%
CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Shipbuilding”) (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate% of Issued Share Capital of the Company (Note 4)
Wah Shun International Marine Limited (“Wah Shun”) (Note 3)	Beneficial owner	Long Position	174,394,797	5.38%

*Notes:*

- (1) Prime Force Investment Corporation is a company incorporated in the British Virgin Islands and is wholly owned by CM Heavy Industry and CM Heavy Industry is therefore deemed to be interested in the 1,530,372,000 Shares that Prime Force Investment Corporation is interested in under Part XV of the SFO.

CM Industry holds 100% of the equity interest in CM Heavy Industry, and is a wholly-owned subsidiary of CM Steam Navigation, which in turn is a wholly-owned subsidiary of CM Group. CM Industry, CM Steam Navigation and CM Group are respectively deemed to be interested in the 1,530,372,000 Shares that CM Heavy Industry is interested in under Part XV of the SFO.

- (2) CIMC holds the entire issued share capital of CIMC(HK). Therefore, CIMC is deemed to be interested in the 185,600,000 Shares held by CIMC(HK) under Part XV of the SFO.
- (3) CSSC holds 35.5% of the equity interest of CSSC Offshore, which in turn holds 54.54% of the equity interest of Huangpu Shipbuilding. CSSC also holds directly 14.48% of the equity interest of Huangpu Shipbuilding, which directly holds 99% of issued shares of Wah Shun. Therefore, CSSC, CSSC Offshore and Huangpu Shipbuilding are deemed to be interested in the 174,394,797 Shares held by Wah Shun under Part XV of the SFO.
- (4) The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at the Latest Practicable Date.

Save for the Subscription Shares or as otherwise disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other persons or companies who had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(III) Director or employee of a company having an interest or short position in the shares and underlying shares of the Company**

As at the Latest Practicable Date,

1. Mr. Mei Xianzhi is the deputy general manager of CM Industry;
2. Mr. Liu Jiancheng is the general manager of the science and technology development department at CM Industry; and
3. Mr. Tam Wing Tim is the deputy general manager of the finance department of CM Industry.

Save as disclosed, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO.

**(E) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, save as disclosed below, there were no subsisting service contracts between the Directors and the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within six months before the date of the Announcement; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

<b>Director</b>	<b>Term of service contracts or letter of appointment</b>	<b>Emolument</b>
Mr. Liu Jiancheng	Term of three years commencing from 23 September 2024 and expiring on 22 September 2027, subject to retirement by rotation and re-election in accordance with the Company's articles of association	N/A
Mr. Tam Wing Tim	Term of three years commencing from 29 August 2023 and expiring on 28 August 2026, subject to retirement by rotation and re-election in accordance with the Company's articles of association	N/A
Mr. Zhang Xizheng	Term of three years commencing from 23 November 2023 and expiring on 22 November 2026, subject to retirement by rotation and re-election in accordance with the Company's articles of association	N/A



Director	Term of service contracts or letter of appointment	Emolument
Mr. Zhan Huafeng	Term of three years commencing from 29 August 2023 and expiring on 28 August 2026, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association	Mr. Zhan is entitled to an annual remuneration of HK\$1,800,000 for all his positions in the Company. Mr. Zhan is entitled to variable remuneration comprising ex-gratia annual bonus, which is subject to his performance and the performance of the Company and the approval of the Company's remuneration committee.
Mr. Zou Zhendong	Term of three years commencing from 17 May 2024 and expiring on 16 May 2027, subject to retirement by rotation and re-election in accordance with the Company's articles of association	Mr. Zou is entitled to receive annual emoluments of HK\$120,000.
Ms. Zhang Zhen	Term of three years commencing from 22 March 2024 and expiring on 21 March 2027, subject to retirement by rotation and re-election in accordance with the Company's articles of association	Ms. Zhang Zhen is entitled to receive annual emoluments of HK\$120,000.
Mr. Xue Jianzhong	Term of three years commencing from 22 March 2024 and expiring on 21 March 2027, subject to retirement by rotation and re-election in accordance with the Company's articles of association	Mr. Xue Jianzhong is entitled to receive annual emoluments of HK\$120,000.

#### (F) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### (G) MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position the Group since 31 December 2023 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

**(H) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date:

- (I) none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement, which was significant in relation to the business of the Group; and
- (II) none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(I) ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date, other than the Subscription Agreement:

- (I) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Subscription and/or the Whitewash Waiver;
- (II) there was no agreement, arrangement or understanding (including any compensation agreement) regarding any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Share Subscription and/or the Whitewash Waiver;
- (III) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the Share Subscription and/or the Whitewash Waiver; and
- (IV) none of the Directors was materially interested in any material contract entered into by the Subscriber.

**(J) DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE**

As at the Latest Practicable Date, other than the holdings of Shares and the Subscription Shares which are proposed to be subscribed for under the Share Subscription as disclosed in the section headed "Effects on Shareholding Structure of the Company" in the letter from the Board, the Subscriber confirms that:

- (I) none of the directors of the Subscriber was interested (within the meaning of Part XV of the SFO) in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares;
- (II) none of the Subscriber or parties acting in concert with it owned, controlled or had direction over any Shares or any outstanding convertible securities, warrants, options and derivatives in respect of the Shares;

- (III) none of the Subscriber or parties acting in concert with it has received any irrevocable commitment from any person as to whether they will vote for or against the resolutions approving the Share Subscription (including the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate) and the Whitewash Waiver;
- (IV) save for the Subscription Agreement, none of the Subscriber or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (V) none of the Subscriber or parties acting in concert with it has borrowed or lent any Shares or convertible securities, warrants, options and derivatives in respect of the Shares;
- (VI) the Share Subscription does not involve any sale of Shares;
- (VII) other than the Share Subscription, none of the Subscriber or parties acting in concert with it will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the date of the Announcement and Completion;
- (VIII) there was no agreement, arrangement or understanding pursuant to which the Subscription Shares would be transferred, charged or pledged to any other persons;
- (IX) save for the Share Subscription, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of the Subscriber and its concert parties and which might be material to the Share Subscription and/or the Whitewash Waiver;
- (X) save for the Subscription Agreement, there are no agreements or arrangements to which the Subscriber is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Share Subscription and/or the Whitewash Waiver; and
- (XI) save for the Subscription Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) (1) the Subscriber and parties acting in concert with it; or (2) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Company confirms that:

- (I) the Company did not own any shares of the Subscriber or convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber;
- (II) other than as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the letter from the Board, none of the Directors had any interest (within the meaning of Part XV of the SFO) in the Shares or convertible securities, warrants, options and derivatives in respect of the Shares;

- (III) other than as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the letter from the Board, no Shares, convertible securities, warrants, options and derivatives in respect of the Shares were owned or controlled by any subsidiary of the Company or by a pension fund of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) or who is an associate of the Company by virtue of class (2) of the definition of “associate” (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) under the Takeovers Code;
- (IV) save for the Subscription Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (V) no Shares or convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (VI) Mr. Zhang Menggui, Morgan intends, in respect of his own beneficial shareholding, to vote in favour of the resolutions approving the Share Subscription (including the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate) and the Whitewash Waiver. Other than Mr. Zhang Menggui, Morgan, none of the Directors held any shareholdings in the Company which would entitle them to vote for or against the resolutions approving the Share Subscription (including the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate) and the Whitewash Waiver; and
- (VII) there were no Shares or convertible securities, warrants, options and derivatives in respect of the Shares which the Company or the Directors has/have borrowed or lent.

**(K) DEALINGS IN SHARES**

During the Relevant Period,

- (I) save for the Subscription Agreement, neither the Subscriber nor any of the parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares or had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company;
- (II) none of the directors of the Subscriber had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (III) there were no Shares or convertible securities, warrants, options and derivatives of the Company which the Subscriber or the parties acting in concert with it, or the Directors have borrowed or lent;

- (IV) the Company had not dealt for value in any shares of the Subscriber or convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber; and
- (V) none of the Directors had dealt for value in any shares of the Subscriber or convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber or any Shares or convertible securities, warrants, options and derivatives in respect of the Shares.

**(L) LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

**(M) MATERIAL CONTRACTS**

Save for the Subscription Agreement, no contracts other than contracts in the ordinary course of business carried on or intended to be carried on by the members of the Group have been entered into by the members of the Group within the two years before the date of the Announcement and up to the Latest Practicable Date.

**(N) EXPERT QUALIFICATIONS AND CONSENT**

The following are the qualifications of the expert who has given its opinion and advice which are included in this circular:

<b>NAME</b>	<b>QUALIFICATION</b>
Red Sun Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice or report in the form and context in which they are included and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser was neither interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

China Merchants Securities (HK) Co., Limited, the financial adviser to the Company, has given and has not withdrawn its written consent to the publication of its name in this circular in the form and context in which it appears.

**(O) CORPORATE AND OTHER INFORMATION**

The registered office of the Subscriber is located at Units 3328AB, 33/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The registered office of Red Sun Capital Limited, the Independent Financial Adviser, is Room 310, 3/F China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong. The registered office of China Merchants Securities (HK) Co., Limited, the financial adviser to the Company, is 48/F One Exchange Square, 8 Connaught Place, Central, Hong Kong.

The principal members of the Subscriber's concert group include the Subscriber, Prime Force Investment Corporation and CM Group. The registered office of Prime Force Investment Corporation is located at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands, and the registered office of CM Group is located at 19th Floor, 101, 1-22/F, Building No. 10, Anding Road Courtyard No. 5, Chaoyang District, Beijing, PRC.

The ultimate controlling shareholder of the Subscriber and Prime Force Investment Corporation is CM Group.

As at the Latest Practicable Date, the directors of the Subscriber are Mr. Zhang Rizhong (張日忠) and Mr. Zhang Yi (張翼), the directors of Prime Force Investment Corporation are Mr. Huang Xiaohua (黃曉華) and Mr. Lou Dongyang (婁東陽) and the directors of CM Group are Mr. Miao Jianmin (繆建民), Ms. Shi Dai (石岱), Mr. Zhong Guodong (鐘國東), Mr. Wang Jiong (王炯), Mr. Li Hui (李輝), Mr. Wu Xiandong (吳獻東), Mr. Tsin Wai Lun Kenneth (錢偉倫), Mr. Gu Xiaomin (顧曉敏) and Ms. Gong Liyun (宮立雲).

**(P) DOCUMENTS ON DISPLAY**

Copies of the following documents will be displayed on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), the SFC at [www.sfc.hk](http://www.sfc.hk) and the Company at [www.cmicholding.com](http://www.cmicholding.com) from the date of this circular up to the date of the EGM:

1. the Subscription Agreement;
2. this circular;
3. the memorandum and articles of association of the Company;
4. the articles of association of the Subscriber;
5. the published annual reports of the Company containing audited consolidated financial statements of the Company for each of the two years ended 31 December 2022 and 31 December 2023 and the interim report of the Company for the six months ended 30 June 2024;
6. the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

7. the letter from the Takeovers Code Independent Board Committee, the text of which is set out in the section headed “Letter from the Takeovers Code Independent Board Committee” in this circular;
8. the letter from the Listing Rules Independent Board Committee, the text of which is set out in the section headed “Letter from the Listing Rules Independent Board Committee” in this circular;
9. the letter from the Independent Financial Adviser containing its advice to the Takeovers Code Independent Board Committee, Listing Rules Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
10. the service contracts referred to in the paragraph headed “(E) Directors’ service contracts” in this Appendix; and
11. the written consents referred to in the paragraph headed “(N) Expert qualifications and consents” in this Appendix.

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## NOTICE OF EGM

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### CM Energy Tech Co., Ltd. 华商能源科技股份有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 206)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised expressions which are not expressly defined in this notice shall bear the same meaning as those defined in the circular to the shareholders of the Company dated 13 February 2025 (the “Circular”), unless the context requires otherwise.

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the Company will 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. to consider and, if thought fit, to pass with or without amendments the following resolutions as an ordinary resolution or special resolution (as the case may be) of the Company:

#### ORDINARY RESOLUTION

1. **“THAT:**

- (a) the Subscription Agreement, the Share Subscription and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issuance and allotment of the Subscription Shares (being 1,621,717,000 Shares) to the Subscriber at the Subscription Price of HK\$0.2 per Share pursuant to the Subscription Agreement be and is hereby approved, confirmed and ratified; and
- (c) any Director be and is hereby authorised to do all such acts and things and sign or execute all such documents under seal (as the case may be) and to take such steps as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate, the issue and allotment of the Subscription Shares and any matters relating or incidental thereto.”



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# NOTICE OF EGM

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## SPECIAL RESOLUTION

2. “**THAT:**

the waiver of the obligation on the part of the Subscriber and CM Group to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement, i.e. the Whitewash Waiver, be and is hereby approved, and that any Director be and is hereby authorised to do all such acts and things and sign or execute all such documents under seal (as the case may be) as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any matters relating to, or incidental to, the Whitewash Waiver.”

By order of the Board  
**CM Energy Tech Co., Ltd.**  
**Mei Xianzhi**  
*Chairman*

Hong Kong, 13 February 2025

*Notes:*

1. 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 can be registered. The record date for ascertaining Shareholders' eligibility to attend and vote at the EGM will be 28 February 2025. In order to qualify for the entitlement to attend and vote at the meeting, all transfer documents, accompanied by the relevant share certificates, must be duly completed and lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 24 February 2025.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on Wednesday, 26 February 2025) (Hong Kong time) or any adjourned meeting.
4. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution(s) proposed at the EGM shall be voted by poll.

*As of the date of this notice, the Board comprises one (1) executive Director, namely Mr. Zhan Huafeng; five (5) non-executive Directors, namely Mr. Mei Xianzhi, Mr. Liu Jiancheng, Mr. Tam Wing Tim, Mr. Zhang Xizheng and Mr. Zhang Menggui, Morgan; and three (3) independent non-executive Directors, namely Mr. Zou Zhendong, Ms. Zhang Zhen and Mr. Xue Jianzhong.*