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MECOM POWER AND CONSTRUCTION LIMITED

澳能建設控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1183)

(Warrant Code: 2242)

PROPOSED BONUS WARRANTS ISSUE

A letter from the Board is set out on pages 6 to 19 of this circular and a summary of the principal terms of the 2024 Warrants is set out on pages 20 to 37 of this circular.

TABLE OF CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM THE BOARD	6
APPENDIX - SUMMARY OF THE TERMS OF THE 2024 WARRANTS	20

EXPECTED TIMETABLE

EXPECTED TIMETABLE

The expected timetable for implementing the 2024 Bonus Warrants Issue is set forth below:

Event	Time and Date
Last day of dealings in Shares cum-entitlements to the 2024 Bonus Warrants Issue	Thursday, 11 May 2023
First day of dealings in Shares ex-entitlements to the 2024 Bonus Warrants Issue	Friday, 12 May 2023
Latest time for lodging forms of transfer of Shares to ensure entitlement to the 2024 Bonus Warrants Issue4:30 p.m. on Monday, 15 May 2023
Closure of register of members of the Company, both days inclusive	Tuesday, 16 May 2023 to Thursday, 18 May 2023
Record Date	Thursday, 18 May 2023
Despatch of the 2024 Warrant certificates by	Wednesday, 24 May 2023
Commencement of dealings in the 2024 Warrants on the Stock Exchange9:00 a.m. on Thursday, 25 May 2023

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable for the 2024 Bonus Warrants Issue set out above has been prepared on the assumption that the condition of the 2024 Bonus Warrants Issue will be fulfilled. If there are any changes to the expected timetable, such changes will be announced in separate announcement(s) by the Company as and when appropriate.

DEFINITIONS

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

“2022 AGM”	the annual general meeting of the Company held on 30 May 2022
“2023 Instrument”	the deed poll executed by the Company creating and constituting the warrants issued by the Company expiring on 24 May 2023, details of which are disclosed in the circular of the Company dated 10 May 2022
“2024 Bonus Warrants Issue”	the proposed bonus issue of 2024 Warrants by the Company to the Qualifying Shareholders on the basis of one (1) 2024 Warrant for every ten (10) Shares held on the Record Date
“2024 Warrant(s)”	warrant(s) proposed to be issued by the Company to subscribe for New Shares at the initial Subscription Price under the 2024 Bonus Warrants Issue per New Share, subject to adjustments
“Announcement”	the announcement of the Company dated 30 March 2023 in relation to the 2024 Bonus Warrants Issue
“Applicable Regulations”	any law, rule, regulation or bye-law and any relevant provision thereof to which the Company and the 2024 Warrants are subject including without limitation to the generality of the foregoing, the Companies Act (2022 Revision) of the Cayman Islands, the Companies Ordinance (Cap 622 of the Laws of Hong Kong), the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-backs, all as amended, varied or extended from time to time
“Auditors”	the auditors of the Company from time to time
“Board”	the board of Directors
“Bonus Shares”	the new Share(s) proposed to be issued by way of the proposed issue of bonus shares to the Shareholders whose names appear of the register of members of the Company as at the close of business on 6 June 2023 on the basis of one bonus share for every two existing Shares held by Shareholders on 6 June 2023

DEFINITIONS

“Business Day”	any day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm” warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for general banking business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	MECOM Power and Construction Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1183)
“Controlling Shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“EV”	electric vehicles
“EV business”	provision of EV related services, including but not limited to (a) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (b) distribution of EVs; (c) design, production, sales and marketing of EVs and EV charging systems; (d) manufacturing and production of battery packs; and (e) provision of EV charging/swapping solutions
“Exercise Moneys”	in relation to any 2024 Warrant, the amount in cash payable in respect of the Shares for which the Warrantholder of such Warrant is entitled to subscribe upon the exercise of the Subscription Rights represented thereby
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples Republic of China
“Instrument”	the deed poll to be executed by the Company creating and constituting the 2024 Warrants
“Last Trading Day”	Wednesday, 29 March 2023, being the last trading day of the Shares prior to the date of the Announcement
“Latest Practicable Date”	Thursday, 27 April 2023, 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
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“MOP”	Macau Pataca, the lawful currency of Macau
“New Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company which may fall to be issued upon the exercise of the Subscription Rights attaching to the 2024 Warrants
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiry, are of the view that it would be necessary or expedient to exclude them from the 2024 Bonus Warrants Issue on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company at the close of business on the Record Date is/are outside Hong Kong
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date

DEFINITIONS

“Record Date”	Thursday, 18 May 2023, being the record date for ascertaining the entitlements of Shareholders to the 2024 Bonus Warrants Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	a share option scheme adopted by the Company on 23 January 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Date”	in relation to any 2024 Warrant, the close of business on any Business Day falling during the Subscription Period on which any of the Subscription Rights represented by such 2024 Warrant are duly exercised by delivery of the relative 2024 Warrant certificate to the Warrant Registrar with the Subscription Form duly completed, together with a remittance for the Exercise Moneys or (in the case of a partial exercise) the relevant portion thereof, and otherwise in accordance with the terms and conditions of the 2024 Warrants, provided that if such Subscription Rights are exercised during a period in which the register or branch register of members of the Company maintained in the territory in which the Stock Exchange for the time being is situate is closed, the Subscription Date in relation to such exercise shall be the close of business on the next following Business Day on which such register or branch register is open
“Subscription Form”	in relation to any 2024 Warrant, the form contained in the 2024 Warrant certificate issued in respect thereof, and includes, where the context admits or requires, a consolidated Subscription Form in relation to (inter alia) such 2024 Warrant, which may be obtained from the Warrant Registrar

DEFINITIONS

“Subscription Period”	the period commencing on Thursday, 25 May 2023 and expiring on Friday, 24 May 2024 (being the day falling 12 months after the commencement of dealings in the 2024 Warrants (both dates inclusive))
“Subscription Price”	in relation to each Share, the sum payable in respect of such Share to which the registered holder of each 2024 Warrant shall be entitled upon exercise of the Subscription Rights represented thereby, being HK\$1.78 or such adjusted price as may for the time being be applicable in accordance with the terms of the Instrument and, in relation to more than one Share, the aggregate of the sums payable as aforesaid in respect of all the relevant Shares
“Subscription Rights”	the rights of the Warranholders represented by the 2024 Warrants to subscribe for up to 266,406,415 New Shares pursuant to the 2024 Warrants, and, in relation to each 2024 Warrant, means the rights of the Warranholder in respect of such 2024 Warrant to subscribe for one New Share pursuant to such 2024 Warrant
“Warranholder(s)”	the person or persons who is or are for the time being registered in the registrar as the holder or joint holders of the 2024 Warrants
“Warrant Registrar”	Tricor Investor Services Limited or such other person, firm or company as for the time being maintains in Hong Kong (unless the Directors otherwise determine) the register of Warranholders
“Wuling Motors”	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 305)
“%”	per cent.

LETTER FROM THE BOARD



MECOM POWER AND CONSTRUCTION LIMITED

澳能建設控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1183)

(Warrant Code: 2242)

Executive Directors:

Mr. Kuok Lam Sek (*Chairman*)

Mr. Sou Kun Tou (*Chief executive officer
and deputy chairman*)

Independent Non-executive Directors:

Ms. Chan Po Yi Patsy

Mr. Cheung Kiu Cho Vincent

Mr. Lio Weng Tong

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199 Des Voeux Road Central

Sheung Wan, Hong Kong

8 May 2023

To the Shareholders

Dear Sir/Madam,

PROPOSED BONUS WARRANTS ISSUE

INTRODUCTION

With reference to the Announcement, the Board proposed, subject to the satisfaction of the condition below, to make the 2024 Bonus Warrants Issue to the Qualifying Shareholders on the basis of one (1) 2024 Warrant for every ten (10) Shares held on the Record Date.

LETTER FROM THE BOARD

The purpose of this circular is to set out further information in relation to the 2024 Bonus Warrants Issue. A summary of the principal terms and conditions of the 2024 Warrants, including circumstances in which the Subscription Price for the 2024 Warrants may be adjusted, is set out in the Appendix on pages 20 to 37 of this circular.

2024 BONUS WARRANTS ISSUE

Basis of the 2024 Bonus Warrants Issue

The Board proposes, subject to the satisfaction of condition below, to make the 2024 Bonus Warrants Issue to the Qualifying Shareholders on the basis of one (1) 2024 Warrant for every ten (10) Shares held on the Record Date.

Condition to the 2024 Bonus Warrants Issue

The 2024 Bonus Warrants Issue will be conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the 2024 Warrants and the New Shares.

Subscription price and subscription period

The 2024 Warrants will be issued in registered form and each 2024 Warrant will entitle the holder thereof to subscribe in cash for one (1) New Share at an initial subscription price of HK\$1.78, subject to customary anti-dilutive adjustments in market transactions of this type in certain events, including, among other things, share consolidations, share subdivisions, capitalisation issues and capital distributions, at any time from Thursday, 25 May 2023 to Friday, 24 May 2024 (both days inclusive).

The initial subscription price of HK\$1.78 represents:

- (i) a premium of approximately 14.8% over the closing price per Share of HK\$1.55 as quoted on the Stock Exchange on Last Trading Day;
- (ii) a premium of approximately 16.3% over the average closing price per Share of approximately HK\$1.53 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 15.6% over the average closing price per Share of approximately HK\$1.54 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 7.2% over the average closing price per Share of approximately HK\$1.66 as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 24.5% over the closing price per Share of HK\$1.43 as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The initial subscription price for the 2024 Warrants was determined by the Board after taking into account (i) the prevailing market price of the Shares; (ii) the revenue increased by approximately 47.1% from approximately MOP912.0 million for the year ended 31 December 2021 to approximately MOP1.34 billion for the year ended 31 December 2022; (iii) as at 31 December 2022, the Group had contracts on hand yet to complete with an aggregate contract value of approximately MOP742.9 million; and (iv) the future business prospects of the Group.

The Directors are of the view that the prevailing market price of the Shares reflects the investors' confidence in the prospect of the Company as benefited from (i) the positive outlook of Macau's overall economic recovery; (ii) the expected resumption of Macau's construction and fitting out works markets over time; and (iii) the potential huge demand growth of the new energy vehicles in the People's Republic of China as supported by the government's policy measures on encouraging the development of new energy vehicles market. The Directors believe that these opportunities would enhance the Group's business development and improve its financial performance. The Directors expect the positive outlook of the Group will continue to be reflected in the future Share price and the 2024 Bonus Warrants Issue would provide an opportunity for the Shareholders capture the potential capital gain along with the growth of the Company upon exercising the Subscription Rights. The Directors consider the terms of the 2024 Bonus Warrants Issue, including the initial Subscription Price thereof, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Possible adjustments relating to the outstanding warrants

As at the Latest Practicable Date, there are 178,139,700 outstanding warrants expiring on 24 May 2023.

Pursuant to the terms and conditions of the 2023 Instrument, the subscription price of the outstanding warrants may be adjusted in accordance with the terms and conditions of the 2023 Instrument. A financial adviser of the Company shall be appointed to certify the necessary adjustments to the subscription price of the aforesaid outstanding warrants. Further announcement relating to such adjustment(s) will be made by the Company in this regard as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

LETTER FROM THE BOARD

Shares to be issued upon exercise of the 2024 Warrants

Each 2024 Warrant will entitle the holder thereof to subscribe in cash for one (1) New Share. Based on 2,664,064,150 issued Shares as at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to the Record Date, the maximum number of 2024 Warrants to be issued will be 266,406,415 warrants and upon the full exercise of the subscription rights attaching to the 2024 Warrants, a maximum of 266,406,415 New Shares (subject to adjustments) will be issued, representing 10% of the number of issued Shares of the Company as at the Latest Practicable Date and approximately 9.09% of the issued Shares of the Company as enlarged by the New Shares to be issued upon the exercise of the Subscription Rights attaching to all 2024 Warrants. The entitlement to the 2024 warrants are non-renounceable. Based on the initial subscription price of HK\$1.78 per New Share, the Company would receive the subscription monies totalling up to approximately HK\$474.2 million. The New Shares to be issued upon exercise of the subscription rights attaching to the 2024 Warrants will rank *pari passu* in all respects with the then existing issued Shares.

The 2024 Warrants will be issued pursuant to the general mandate to issue Shares granted to the Directors at the 2022 AGM. Under the said general mandate and on the basis of 1,782,017,000 issued Shares as at 30 May 2022 and by adding 9,054,000 Shares bought back pursuant to the buy-back mandate granted at the 2022 AGM, the Directors were authorised generally to issue up to 365,457,400 Shares. No Share has been allotted or issued under the general mandate since it was approved and a maximum of 365,457,400 Shares can be issued under the general mandate.

As at the Latest Practicable Date, the Company has 178,139,700 outstanding warrants expiring on 24 May 2023. Save for the aforesaid outstanding warrants, the Company has no other outstanding share options, warrants, convertible securities or similar rights entitling any person to subscribe for Shares prior to the Record Date and is not aware of any intention of the Shareholders (including the Controlling Shareholders of the Company) to exercise the Subscription Rights attaching to the 2024 Warrants. The Directors are of the view that the exercise of the Subscription Rights attaching to the 2024 Warrants is subject to the prevailing Share price of the Company during the Subscription Period.

LETTER FROM THE BOARD

Effects on Shareholding Structure

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) after the 2024 Bonus Warrants Issue assuming the Subscription Rights attaching to the 2024 Warrants are fully exercised and all 178,139,700 outstanding warrants are fully exercised; and (iii) after the 2024 Bonus Warrants Issue assuming the Subscription Rights attaching to the 2024 Warrants are only exercised by the Controlling Shareholders of the Company and the all outstanding warrants held by the Controlling Shareholders are fully exercised:

	As at the Latest Practicable Date		After the 2024 Bonus Warrants Issue assuming the Subscription Rights attaching to the 2024 Warrants are fully exercised and all outstanding warrants are fully exercised		After the 2024 Bonus Warrants Issue assuming the Subscription Rights attaching to the 2024 Warrants are only exercised by the Controlling Shareholders of the Company and all outstanding warrants held by the Controlling Shareholders are fully exercised	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Controlling Shareholder						
MECOM Holding Limited (<i>Note 1</i>)	1,352,160,000	50.8%	1,577,520,000	50.7%	1,577,520,000	54.6%
Subtotal	1,352,160,000	50.8%	1,577,520,000	50.7%	1,577,520,000	54.6%
Macau New Base Investment Company Limited (“ Macau New Base ”) (<i>Note 2</i>)	333,995,000	12.5%	389,759,500	12.5%	333,995,000	11.6%

LETTER FROM THE BOARD

	As at the Latest Practicable Date		After the 2024 Bonus Warrants Issue assuming the Subscription Rights attaching to the 2024 Warrants are fully exercised and all outstanding warrants are fully exercised		After the 2024 Bonus Warrants Issue assuming the Subscription Rights attaching to the 2024 Warrants are only exercised by the Controlling Shareholders of the Company and all outstanding warrants held by the Controlling Shareholders are fully exercised	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Directors						
Chan Po Yi Pasty	450,000	0.02%	525,000	0.02%	450,000	0.02%
Subtotal	334,445,000	12.6%	390,284,500	12.6%	334,445,000	11.6%
Public Shareholders						
Other Shareholders	977,459,150	36.6%	1,140,805,765	36.7%	977,459,150	33.8%
Total	<u>2,664,064,150</u>	<u>100.0%</u>	<u>3,108,610,265</u>	<u>100.0%</u>	<u>2,889,424,150</u>	<u>100.0%</u>

Notes:

- MECOM Holding Limited is owned as to 35% by Mr. Kuok Lam Sek (“**Mr. Kuok**”), 35% by Mr. Sou Kun Tou (“**Mr. Sou**”), 15% by Mr. Lam Kuok Wa (“**Mr. Lam**”) and 15% by Mr. Lao Ka Wa (“**Mr. Lao**”), respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.
- Macau New Base is owned as to 35% by Mr. Kuan Chio Man (“**Mr. Kuan**”) and 35% by Mr. Lei Kuok Hong (“**Mr. Lei**”). By virtue of the SFO, Mr. Kuan and Mr. Lei are deemed to be interested in the Shares held by Macau New Base.

Fractional Entitlements

Fractional entitlements to the 2024 Warrants (if any) will not be issued to the Qualifying Shareholders but will, where practicable, be aggregated and sold in the market for the benefit of the Company. The net proceeds of sale will be retained for the benefit of the Company.

LETTER FROM THE BOARD

Overseas Shareholders

This circular and the 2024 Warrants to be issued will not be registered or filed under any securities legislation in any jurisdiction outside Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there are no Overseas Shareholder.

Reasons for the 2024 Bonus Warrants Issue

The Group is principally engaged in (1) provision of construction services, including (i) construction and fitting out works; (ii) high voltage power substation construction and its system installation works; (iii) electrical and mechanical engineering services works; and (iv) provision of facilities management services, and (2) provision of EV related services, including but not limited to (a) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (b) distribution of EVs; (c) design, production, sales and marketing of EVs and EV charging systems; (d) manufacturing and production of battery packs; and (e) provision of EV charging/swapping solutions. During the year ended 31 December 2022, the Group diversified its existing businesses by entering into the steel structures business which involves the sales, trading and processing of metal materials.

The Board, after considering the financial performance of the Group for the year ended 31 December 2022, considered that distributions should be made to the Shareholders in their continuous support to the Company. Initially, the Board has considered payment of cash dividend only to the Shareholders. However, after taking into account of the current economic environment, the Board considers that it will be for the best interest of the Company and the Shareholders as a whole that the Company should preserve the cash position of the Group for future development. Accordingly, in recognition of the Shareholders' continuous support to the Company, the Board proposes the 2024 Bonus Warrants Issue in addition to the bonus issue of Shares.

After considering the features of the 2024 Warrants that would provide the Shareholders with an opportunity to capture the potential gain along with the growth of the Company upon exercising the Subscription Rights attaching to the 2024 Warrants, and that the 2024 Bonus Warrants Issue will also strengthen the equity base of the Company, increase the Company's general working capital and enable the Group to carry out potential investments being identified if and when the Subscription Rights attaching to the 2024 Warrants are exercised, the Board considered that the 2024 Bonus Warrants Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

In addition, as the 2024 Warrants will be exercisable at any time during the Subscription Period which lasts for a year and the listing of the 2024 Warrants would enable the Shareholders to realise the value of the 2024 Warrants during its term, the Board consider the 2024 Bonus Warrants Issue would afford the Shareholders with more flexibility in managing their own investment portfolios under different market conditions.

As at the Latest Practicable Date, the Company has no intention to conduct any other equity fund raising activities in the next twelve months immediately after the date of this circular.

As at 31 March 2023, the Company's bank balances and cash amounted to approximately MOP91.9 million and the amount of unutilised proceeds from the global offering of the Company was approximately HK\$9.6 million.

The Company intends to apply any subscription monies received as and when Subscription Rights are exercised (i) for strengthening the business development in (a) sales, trading and processing of metal materials for construction and steel structures business; (b) EV business; and (c) lithium-ion phosphate battery-swapping systems; and (ii) towards general working capital of the Group. The subscription monies are expected to be utilised on or before 31 December 2024. The expected timeline of full utilisation is based on the Directors' estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

Assuming the Subscription Rights are fully exercised, the Company currently intends to apply any subscription monies in the following areas:

- (i) approximately HK\$189.7 million, representing approximately 40% of the subscription monies, will be used for the development of the manufacturing facilities for the fabrication and/or processing of structural steel components and scale up the manufacturing facilities. The Directors believe that the aforesaid application of proceeds can facilitate future business development of the Group and enhance its competitiveness, and through vertical extension (including the research and development and manufacturing of new materials and equipment for the new energy business), the production business provides a manufacturing base for the Group's expansion out of Macau and exploration of other domestic and overseas markets such as the Guangdong-Hong Kong-Macao Greater Bay Area, Southeast Asia and Australia, which will enhance the Group's business scale, market competitiveness, brand influence and industry status over time;

LETTER FROM THE BOARD

- (ii) approximately HK\$118.55 million, representing approximately 25% of the subscription monies, will be used for distributorship of electric vehicles. As set out in the announcements of the Company dated 9 December 2022, 28 December 2022 and 22 February 2023, MUCharging (Macau) Limited, a company incorporated in Macau with limited liability and an indirect wholly owned subsidiary of the Company, entered into the distributorship agreements with Liuzhou Wuling Motors Industrial Company Limited* (柳州五菱汽車工業有限公司), a company established in the PRC with limited liability and a subsidiary of Wuling Motors (the “**Supplier**”), in relation to the (a) exclusive distributorship of certain electric motorbikes and electric delivery vehicles supplied by the Supplier in Hong Kong and Macau; and (b) distributorship of certain electric motorbikes and electric delivery vehicles supplied by the Supplier in Indonesia, Malaysia, Thailand and Singapore;
- (iii) approximately HK\$118.55 million, representing approximately 25% of the subscription monies, will be used for strengthening the business development in electric vehicle (“**EV**”) related services including but not limited to (a) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (b) design, production, sales and marketing of EVs and EV charging systems; and (c) provision of EV charging/swapping solutions; and
- (iv) approximately HK\$47.4 million, representing approximately 10% of the subscription monies, will be used for general working capital of the Group.

The Directors are of the view that although the amount of capital to be raised and timing of raising the proceeds through the 2024 Bonus Warrants Issue during the Subscription Period are uncertain, it is preferred to finance the Group’s long-term growth by long-term financing in the form of equity which will not incur finance costs and enable the Group to maintain a strong cash position for the business of the Group. However, in the event that the Subscription Rights attaching to the 2024 Warrants are not fully exercised, the Group will utilise the proceeds in proportion to the above allocation. Nevertheless, it is expected that the Group’s long-term business plans will be carried out in a flexible manner based on the available resources at the relevant time.

* *for identification purposes only*

LETTER FROM THE BOARD

The Directors have considered factors including the timing of the funding needs, the amount of the fund needed and the possible dilution effect on the shareholding interests of the Shareholders and explored other alternative means of fund raising, including (i) debt financing/bank borrowings; (ii) placing of new Shares; and (iii) rights issue but were rejected for the following reasons respectively:

(i) Debt financing/bank borrowings

With respect to debt financing, taking into consideration that debt financing will involve recurring interest expense, it is not considered as desirable to fund the entire amount of funds needed for working capital and expansion by way of debt financing. In comparison, the equity raised through the 2024 Bonus Warrants Issue would not be interest-bearing and hence the Company would have savings in interest payable as compared with incurring interest costs arising from debt financing. Therefore, the 2024 Bonus Warrants Issue as compared to debt financing would allow the Company to strengthen its capital base and liquidity without incurring interest costs.

(ii) Placing of new Shares

The Directors are of the view that raising funds by way of placing of new Shares would result in dilution of the equity interests of the existing Shareholders who cannot participate in the placing.

(iii) Rights issue

The Directors are of the view that though both 2024 Bonus Warrants Issue and the rights issue can allow the Shareholders to (i) maintain their respective pro-rata shareholding by exercising the Subscription Rights attaching to the 2024 Warrants or through their participation in rights issue; (ii) increase their respective interests in the shareholding of the Company by acquiring additional 2024 Warrants or rights entitlement in the open market (subject to the availability); and (iii) reduce their respective interests in the shareholding of the Company by disposing of their 2024 Warrants or rights entitlement in the open market (subject to the market demand), the 2024 Bonus Warrants Issue provides more flexibility to the Shareholders, allowing the Shareholders to exercise the subscription rights attaching to the 2024 Warrants at any time within the one-year subscription period at the discretion of the Shareholders while the rights issue cannot.

After taking into account all of the above factors and considerations, the Directors are of the view that the 2024 Bonus Warrants Issue can (i) offer equal opportunity to all Shareholders to subscribe for their pro-rata provisional Shares and hence avoids dilution; (ii) offer an opportunity to Shareholders to participate in the growth of the Company; (iii) allow the Shareholders to capture the potential capital gain; and (iv) strengthen the equity base of the Company and increase the Company's general working capital, if and when the subscription rights attaching to the 2024 Warrants are exercised.

LETTER FROM THE BOARD

Fund raising activities of the Group in the past twelve months

Save as disclosed below, the Company has not conducted any fund raising activities by issue of equity securities in the twelve months immediately before the Latest Practicable Date:

Date of announcement	Fund-raising activity	Gross proceeds	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
23 May 2022	Bonus warrants issue of 178,201,700 warrants to the qualifying Shareholders at HK\$4.47 (subject to adjustment)	Approximately HK\$276,070 <i>(Note)</i>	(i) for strengthening the business development in: (a) sales, trading and processing of metal materials for construction and steel structures business; (b) EV charging services; and (c) lithium-ion phosphate battery-swapping systems; and (ii) towards general working capital of the Group.	Fully applied as intended

Note: up to and including the Latest Practicable Date

Certificates for the 2024 Warrants and board lot

Subject to the satisfaction of the condition to the 2024 Bonus Warrants Issue, it is expected that certificates for the 2024 Warrants will be posted on or before Wednesday, 24 May 2023 at the risk of the Qualifying Shareholders entitled thereto to their respective addresses shown on the register of members of the Company.

Dealings in the 2024 Warrants are expected to commence on the Stock Exchange on Thursday, 25 May 2023. The 2024 Warrants are expected to be traded on the Stock Exchange in board lots of 2,000 warrants.

LETTER FROM THE BOARD

Record Date and closure of register of members

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Thursday, 18 May 2023 (both days inclusive) for determining entitlements to the 2024 Bonus Warrants Issue.

The last day for dealing in Shares cum-entitlements to the 2024 Bonus Warrants Issue will be Thursday, 11 May 2023. In order to qualify for the 2024 Bonus Warrants Issue, all outstanding transfer of Shares should be lodged with the share registrar of the Company in Hong Kong, 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, 15 May 2023.

Entitlement to the Bonus Shares by the Warrantholders

In order to establish entitlements to the bonus issue of shares for the year ended 31 December 2022, the Warrantholder must lodge the Subscription Form accompanied by the relevant warrant certificate and the relevant Subscription Moneys for registration with 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, 29 May 2023.

Application for Listing, Dealings and Settlement

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 2024 Warrants and the New Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the 2024 Warrants. No part of the equity or debt securities of the Company is listed on or dealt in on any other stock exchange and no such listing of, or permission to deal, is being or is proposed to be sought.

Application will also be made to HKSCC for the admission of the 2024 Warrants into CCASS operated by HKSCC. All necessary arrangements will be made by the Company to enable the 2024 Warrants to be admitted into CCASS.

Subject to the granting of the listing of, and permission to deal in, the 2024 Warrants and the New Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the 2024 Warrants on the Stock Exchange, and subject to the compliance with the stock admission requirements of HKSCC, the 2024 Warrants and the New Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the 2024 Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of their dealings on the Stock Exchange or such other date as determined by HKSCC.

Settlement between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

None of the Shares are listed or dealt in on any stock exchange other than the Stock Exchange, and the 2024 Warrants and the New Shares which may fall to be issued upon the exercise of the Subscription Rights attached to the 2024 Warrants will not be listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Dealings in the 2024 Warrants are expected to commence on the Stock Exchange on Thursday, 25 May 2023. The 2024 Warrants are expected to be traded on the Stock Exchange in board lots of 2,000 warrants.

Investors should seek the advice of their stockbroker or other professional adviser for details of settlement arrangements for the 2024 Warrants and the New Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the 2024 Warrants and how such arrangements affect their rights and interests.

Taxation

Dealings in the 2024 Warrants and the New Shares which may fall to be issued upon exercise of the Subscription Rights attaching to the 2024 Warrants may be subject to the payment of stamp duty, Stock Exchange trading fee, Security and Futures Commission transaction levy, Accounting and Financial Reporting Council transaction levy or any other applicable fees and charges in Hong Kong.

The Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holdings or disposal of, dealing in or exercising, the 2024 Warrants and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the 2024 Warrants otherwise falling to be issued to them under the 2024 Bonus Warrants Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the 2024 Bonus Warrants Issue accepts responsibility for any tax implication or liabilities of the Shareholders or the holders of the 2024 Warrants resulting from the purchase, holding or disposal of, or dealing in, the Shares or the 2024 Warrants or exercise of the Subscription Rights attaching to the 2024 Warrants.

DIRECTORS' 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.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to the summary of the principal terms of the 2024 Warrants in the Appendix to this circular.

Yours faithfully
By order of the Board of
MECOM Power and Construction Limited
Kuok Lam Sek
Chairman and executive Director

The 2024 Warrants will be issued subject to and with benefit of the Instrument and they will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The principal terms and conditions of the 2024 Warrants will be set out in the 2024 Warrant certificates and will include provisions to the effect set out below. The Warrantheolders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions of the Instrument, copies of which will be available at the office of the Warrant Registrar or at such other place as may be notified to the Warrantheolders from time to time.

1. EXERCISE OF SUBSCRIPTION RIGHTS

- (A) Subject to the terms and conditions of the 2024 Warrants and in compliance with all Applicable Regulations, exchange control, fiscal and other laws and regulations applicable thereto, the Warrantheolder shall have the right, which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time during the Subscription Period, to subscribe in cash for, one fully-paid Share in respect of each 2024 Warrant held by such Warrantheolder at the Subscription Price per Share (with the initial Subscription Price per Share at HK\$1.78). Any Subscription Rights which have not been exercised upon the expiry of the Subscription Period shall lapse and thereupon the 2024 Warrants and the 2024 Warrant certificates shall cease to be valid for any purpose whatsoever.
- (B) In order to exercise any of the Subscription Rights represented by the 2024 Warrant certificate, the Warrantheolder must complete and sign the Subscription Form and deliver the same and the 2024 Warrant certificate to the Warrant Registrar and such delivery shall constitute an irrevocable commitment by such Warrantheolder to exercise such Subscription Rights, together with a remittance for the relevant portion of the Exercise Moneys, being the amount of the Subscription Price for the Shares in respect of which the Warrantheolder is exercising his Subscription Rights. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (C) The number of Shares to be allotted on exercise of the Subscription Rights shall be, in respect of each 2024 Warrant exercised, one Share. No fraction of a Share will be allotted but any balance representing fractions of the Exercise Moneys paid on exercise of the Subscription Rights will be paid by the Company to the Warrantheolder, provided always that for the purpose of determining whether any (and if so, what) fraction of a Share arises:
 - (i) if the Subscription Rights represented by the 2024 Warrant certificate and any one or more other Warrant certificates are exercised on the same Subscription Date by the same Warrantheolder then the Subscription Rights represented by such 2024 Warrant certificates shall be aggregated; and
 - (ii) regard shall be made, where applicable, to the provisions of the Instrument in relation to the subscription right reserve when the Subscription Price is reduced to below the nominal amount of a Share.

- (D) The Company has undertaken in the Instrument that any Shares falling to be issued upon the exercise of any of the Subscription Rights will be issued and allotted not later than 28 days after the relevant Subscription Date and, taking account of any adjustment which may have been made pursuant to the Instrument, will rank *pari passu* with the fully paid Shares in issue on the relevant Subscription Date and will accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made after the relevant Subscription Date and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (E) As soon as practicable after the relevant allotment and issue of Shares under this condition (and, in any event, not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder to whom such allotment has been made upon his exercise of any Subscription Rights:–
- (i) a certificate for the relevant Shares in the name(s) of such Warrantholder(s);
 - (ii) (if applicable) a balancing 2024 Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the 2024 Warrant certificate remaining unexercised;
 - (iii) (if applicable) a cheque representing fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares as mentioned in sub-paragraph (C) above; and
 - (iv) (if applicable) the certificate mentioned in clause 6(A)(4) of the Instrument evidencing the right of the Warrantholder to the allotment of additional nominal amount of Shares which have not been allotted to him when the Subscription Price is reduced to below the nominal amount of a Share.

The certificate for Shares arising on the exercise of Subscription Rights, the balancing 2024 Warrant certificate (if any), the cheque in respect of fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares (if any) and the certificate mentioned in clause 6(A)(4) of the Instrument (if any) will be sent by post at the risk of the said Warrantholder to the address of such Warrantholder (or, in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the Register). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Warrant Registrar to await collection by the relevant Warrantholder.

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of the adjustment provisions of the Instrument which are exhaustive:

- (A) The Subscription Price shall (except as mentioned in sub-paragraphs (B) and (C) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until the Subscription Right Reserve (as defined in sub-paragraph (F) below) is maintained pursuant to the Instrument):

2.1. Alteration to nominal value

- 2.1.1. *Adjustment formula:* If and whenever there shall be an alteration to the nominal amount of each of the Shares by reason of any consolidation or subdivision, the Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:–

$$\frac{A}{B}$$

where:–

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

- 2.1.2. *Effective date:* Each such adjustment shall be effective from the close of business on the Business Day immediately preceding the date on which the relevant consolidation or subdivision (as the case may be) becomes effective, provided that, where the Subscription Date in respect of a particular exercise of any of the Subscription Rights attaching to a 2024 Warrant shall fall on or before the said Business Day but the Company shall not by the close of business on the said Business Day have allotted the relative Shares in accordance with its obligations, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the Warrantholder exercising the said Subscription Rights, be deemed to have become effective before such Subscription Date.

2.2. Bonus issue

2.2.1. Adjustment formula: If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account fund), the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:–

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the Shares in issue immediately before such issue; and

D = the aggregate nominal amount of the ordinary capital issued in connection with and as a result of such capitalisation.

Provided that if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Subscription Price shall be adjusted in such manner as an approved merchant bank or approved financial adviser shall certify to be appropriate, having regard to the relative interests of the persons affected thereby taken as a whole and such other matters as the approved merchant bank or the approved financial adviser shall consider relevant.

2.2.2. Effective date: Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

2.3. Capital distribution

2.3.1. Adjustment formula: If and whenever the Company shall make (whether on a reduction of capital or otherwise) any capital distribution to all Shareholders (in their capacity as such) (including, but not limited to, such a distribution pursuant to a reduction or redemption of share capital, share premium account fund or otherwise) or shall grant to such Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, the Subscription Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:–

$$\frac{E - F}{E}$$

where:–

E = the closing price per Share on the Stock Exchange on the trading day immediately preceding the date on which the capital distribution or, as the case may be, the grant is announced (whether or not such capital distribution or grant is subject to the approval of the Shareholders or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant (or, where there is no closing price on such trading day, the closing price on the trading day on which there was a closing price immediately preceding the relevant date); and

F = the amount calculated by dividing the fair market value of such capital distribution or of such rights on the day of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant, as determined in good faith by an approved merchant bank or an approved financial adviser, of such capital distribution or of such rights by the number of Shares participating in such capital distribution or, as the case may be, in the grant of such rights.

Provided that:–

- (a) if in the opinion of the relevant approved merchant bank or the relevant approved financial adviser, the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected thereof taken as a whole, is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if F meant) the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights in question; and
- (b) the provisions referred to in in sub-paragraph 2.3 shall not apply in relation to the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend.

2.3.2. **Effective date:** Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant capital distribution or grant.

2.4. Rights and options or warrants to subscribe for new Shares to all Shareholders

2.4.1. Adjustment formula: If and whenever the Company shall offer to all Shareholders new Shares for subscription by way of rights, or shall grant to all Shareholders any options or warrants to subscribe for new Shares, at a price per new Share which is less than 80 per cent of the market price on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the Shareholders or other persons), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer or grant by the following fraction:—

$$\frac{G + H}{G + I}$$

where:—

G = the number of Shares in issue immediately before the date of such announcement;

H = the number of Shares which the aggregate of the two following amounts would purchase at such market price:—

- (a) the total amount (if any) payable for the rights, options or warrants being offered or granted by the Company; and
- (b) the total amount payable for all of the new Shares being offered for subscription by way of rights or comprised in the options or warrants being granted; and

I = the aggregate number of Shares being offered for subscription or comprised in the options or warrants being granted.

2.4.2. Effective date: Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant. For the avoidance of doubt, no adjustment shall take effect in accordance with sub-paragraph 2.4 should such offer or grant fail to become effective or unconditional.

2.5. Issue for cash of securities convertible into or exchangeable for or carrying rights of subscription for new Shares

2.5.1. *Adjustment formula*: If and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total Effective Consideration per new Share (as defined in sub-paragraph 2.5.5 below) initially receivable for such securities is less than 80 per cent of the market price on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the Shareholders or other persons), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to such issue by the following fraction:–

$$\frac{J + K}{J + L}$$

Where:–

J = the number of Shares in issue immediately before the date of the issue of such securities;

K = the number of Shares which the total Effective Consideration (as defined in sub-paragraph 2.5.5 below) receivable for such securities would purchase at such market price (exclusive of any disbursements incurred in connection therewith); and

L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or subscription price.

2.5.2. *Effective date*: Such adjustment shall become effective (if appropriate retroactively) from the close of business on the Business Day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or subscription price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of Shareholders or other persons) and the date of such announcement is earlier than the said date, the Business Day immediately preceding the date of such announcement.

2.5.3. **Adjustment formula:** If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in sub-paragraph 2.5.1 are modified so that the total Effective Consideration per new Share initially receivable for such securities shall be less than 80 per cent of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to such modification by the following fraction:–

$$\frac{M + N}{M + O}$$

where:–

M = the number of Shares in issue immediately before the date of such modification;

N = the number of Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or subscription price would purchase at such market price; and

O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

2.5.4. **Effective date:** Such adjustment shall become effective (if appropriate retroactively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the purposes of sub-paragraph 2.5.3 where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

2.5.5. For the purposes of this sub-paragraph 2.5:–

2.5.5.1. the “**total Effective Consideration**” receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and

2.5.5.2. the “**Effective Consideration per new Share**” initially receivable for such securities shall be the total Effective Consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.

2.6. Issue for cash of Shares

2.6.1. **Adjustment formula:** If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued pursuant to any share option scheme adopted by the Company) at a price which is less than 80 per cent of the market price on the date of the announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:–

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at such market price (exclusive of expenses); and

R = the number of Shares allotted pursuant to such issue.

2.6.2. **Effective date:** Such adjustment shall become effective (if appropriate retroactively) on the date of the issue of such Shares.

2.7. Other events

2.7.1. **Adjustment event:** If and whenever the Company makes an offer or invitation to Shareholders to tender for sale to the Company any Shares or if the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities & Futures Commission of Hong Kong or equivalent authority and the Stock Exchange) and the Directors consider that it may be

appropriate to make an adjustment to the Subscription Price, at that time the Directors shall appoint an approved merchant bank or an approved financial adviser to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Subscription Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank or such approved financial adviser shall consider in its opinion that it is appropriate to make an adjustment to the Subscription Price, an adjustment to the Subscription Price shall be made in such manner as such approved merchant bank or such approved financial adviser shall certify to be, in its opinion, appropriate.

2.7.2. Effective Date: Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which such purchases by the Company are made.

- (B) Except as mentioned in sub-paragraph (C) below, no such adjustment as is referred to in sub-paragraphs 2.2 to 2.7 of sub-paragraph (A) above shall be made in respect of:–
- (i) an issue of fully-paid Shares upon the exercise of any conversion, exchange or subscription rights attaching to securities wholly or partly convertible into Shares or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue by the Company of Shares or by the Company or any subsidiary of securities convertible into or exchangeable for or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in sub-paragraph (F) below) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or other profits or reserves or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or exchangeable for or carrying rights to acquire Shares);

- (iv) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares in aggregate is not more than 120 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash, for which purpose the “market value” of a Share shall mean the average of the closing prices on the Stock Exchange for the five consecutive trading days on each of which there is a closing price ending on the last such trading day immediately preceding the day on or as of which holders of Shares may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
 - (v) an issue by the Company of Shares or by the Company or any subsidiary of securities convertible into or exchangeable for or carrying rights of subscription for Shares pursuant to a share option scheme.
- (C) Notwithstanding the provisions referred to in sub-paragraphs (A) and (B) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint either an approved merchant bank, an approved financial adviser or the Auditors to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank, approved financial adviser or the Auditors (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank, approved financial adviser or Auditors to be in its opinion appropriate.
- (D) Any adjustment to the Subscription Price shall be made to the nearest one cent (HK\$0.005 being rounded up) and in no event shall any adjustment be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. In no event shall an adjustment be made (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price.

- (E) Every adjustment to the Subscription Price shall be certified by the Auditors, an approved financial adviser or an approved merchant bank and notice of each such adjustment (giving the relevant particulars) shall be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the Auditors, the approved financial adviser or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest errors, their decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificate of the Auditors, the approved financial adviser and/or approved merchant bank will be available for inspection by Warrantholders at the principal place of business of the Company in Hong Kong, where copies may be obtained.
- (F) (i) The Company shall establish and maintain a reserve (the “**Subscription Right Reserve**”) the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional Shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (iii) below on the exercise in full of all the Subscription Rights outstanding (and any other subscription rights outstanding in respect of Shares under other subscription warrants) and shall, subject to the approval of the Shareholders being obtained, apply the Subscription Right Reserve in paying up in full such additional Shares as and when the same are allotted.
- (ii) The Subscription Right Reserve will not be used for any purpose other than that specified in sub-paragraph (i) above unless and until all other available reserves of the Company (other than share premium account) have been used and will then only be used to make good losses of the Company if and so far as is required by Applicable Regulations.
- (iii) Upon the exercise of any of the Subscription Rights represented by the Warrant, the relevant Subscription Rights shall be exercisable in respect of a nominal amount of ordinary capital equal to the Exercise Moneys (or, as the case may be, the portion thereof in respect of which the Subscription Rights are then exercised)) and, in addition, there shall be allotted in respect of such Subscription Rights to the exercising Warrantholder credited as fully paid such additional nominal amount of ordinary capital as is equal to the difference between:–
- (a) the Exercise Moneys (or, as the case may be, the portion thereof in respect of which the Subscription Rights are then exercised); and

- (b) the nominal amount of ordinary capital in respect of which such Subscription Rights would have been exercisable, having regard to the provisions set out in paragraph 2, had it been possible for such Subscription Rights to represent the right to subscribe for Shares at less than their nominal value;

and immediately upon such exercise so much of the sum standing to the credit of the Subscription Right Reserve as is required to pay up in full such additional nominal amount of ordinary capital shall be capitalised and applied in paying up in full at par such additional nominal amount of ordinary capital (other than a fraction of a Share) and the relevant number of Shares shall forthwith be allotted and issued credited as fully paid to the exercising Warranholder.

3. REGISTERED WARRANTS

The 2024 Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any 2024 Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such 2024 Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

- (A) The Subscription Rights conferred by the 2024 Warrants shall be transferable, in whole or in integral multiple of one (1) 2024 Warrant, by instrument of transfer in any usual or common form consistent with the standard form of transfer as prescribed by the Stock Exchange or such other form as may be approved by the Directors, by an instrument of transfer executed under the hands by the authorised person(s). Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto, the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s), as the case may be. The Company shall accordingly maintain a register of Warranholders in Hong Kong. The Instrument contains provisions relating to the transfer, transmission and registration of the 2024 Warrants. The provisions of the articles of association of the Company relating to the transfer, transmission and registration of Shares shall, mutatis mutandis, apply to the transmission and registration of the 2024 Warrants, save and except that (i) the Company shall not be obligated to (but may if the Directors so resolve) maintain any branch register of Warranholders at any place outside Hong Kong and (ii) the Company shall not be required to give notice by advertisement in an appointed newspaper for any closure of the register of Warranholders unless required by the Listing Rules.

- (B) As the 2024 Warrants will be admitted to the CCASS, so far as Applicable Regulations permit, the Company may determine the last trading day of the 2024 Warrants to be a date at least three (3) trading days before the last day of the Subscription Period.
- (C) Persons who hold the 2024 Warrants and have not registered the 2024 Warrants in their own names and wish to exercise the 2024 Warrants may incur additional costs and expenses in connection with any expedited re-registration of the 2024 Warrants prior to the transfer or exercise of the 2024 Warrants, particularly during the period commencing 10 Business Days, or any period from time to time fixed by Applicable Regulations, prior to and including the last day of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The Company shall not be required to give notice by advertisement in an appointed newspaper for any closure of the register of Warrantholders unless required by the Listing Rules. The registration of transfers of 2024 Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed, or registration may not be suspended, for a period, or for periods together, of more than thirty (30) days in any one year. Any exercise of the Subscription Rights attached to the 2024 Warrants made while the register of Warrantholders is so closed shall, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his 2024 Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warrantholders.

6. PURCHASE AND CANCELLATION

The Company or any of the subsidiaries may at any time purchase 2024 Warrants:–

- (i) in the open market or by tender (available to all Warrantholders alike) at any price;
- (ii) by private treaty at a price to be agreed between the relevant parties

but not otherwise. All 2024 Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

7. MEETING OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (A) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by special resolution of the provisions of the Instrument and/or the terms and conditions of the 2024 Warrants. A special resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not, save and except that (i) the Company shall not be obligated to (but may if the Directors

so resolve) maintain any branch register of Warrantholders at any place outside Hong Kong; and (ii) the Company shall not be required to give notice by advertisement in an appointed newspaper for any closure of the register of Warrantholders unless required by the Listing Rules.

- (B) All or any of the rights for the time being attached to the 2024 Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the terms and conditions to the 2024 Warrants and/or the Instrument) with the prior sanction of a special resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.
- (C) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of 2024 Warrants in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence to substantiate that it is duly authorised and will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder of the Company.

8. REPLACEMENT OF 2024 WARRANT CERTIFICATES

- (A) If a 2024 Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the Warrant Registrar (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding the higher of HK\$2.50 multiplied by the number of certificates issued or HK\$2.50 multiplied by the number of certificates cancelled (or such other amount as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced 2024 Warrant certificates must be surrendered before replacements will be issued.
- (B) In the case of lost 2024 Warrant certificates, sections 162 to 169 of the Companies Ordinance (Cap 622 of the Laws of Hong Kong) shall apply *mutatis mutandis* as if "shares" referred therein included 2024 Warrants.

9. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains undertakings by and restrictions on the Company designed to protect the Subscription Rights.

10. CALL

If at any time the aggregate number of 2024 Warrants outstanding is equal to or less than 10 per cent. of the total number of 2024 Warrants issued under the Instrument, then the Company may, on giving not less than one months' notice to the Warrantheolders, require the Warrantheolders either to exercise their Subscription Rights represented thereby or allow the 2024 Warrants held by them to lapse. On expiry of such notice, all unexercised 2024 Warrants will be automatically cancelled without any compensation being payable to the Warrantheolders.

11. ISSUE OF FURTHER WARRANTS

The Company shall be at liberty to issue further warrants or other securities convertible into, exchangeable for or carrying rights to subscribe for Shares in such manner and on such terms as it sees fit. The Instrument does not confer on the Warrantheolders any rights to participate in any distribution and/or offers of further securities made by the Company.

12. UNDERTAKINGS BY THE COMPANY

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof, the Company has undertaken in the Instrument that:–

- (i) it will send to each Warrantheolder (or in the case of joint Warrantheolders, to the Warrantheolder whose name stands first in the Register in respect of the 2024 Warrant held by such joint Warrantheolders), at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of Shares generally;
- (ii) it will pay all Hong Kong stamp duties, registration fees or similar charges, if any, payable in respect of the execution of the Instrument, the creation and initial issue of the 2024 Warrants in registered form, the exercise of Subscription Rights and the issue of Shares upon exercise of Subscription Rights. If any Warrantheolder shall take any action or proceedings in any jurisdiction to enforce the obligations of the Company in respect of the 2024 Warrants or the Instrument, and for the purposes of such action or proceedings the Instrument or any 2024 Warrant is taken into such jurisdiction and any stamp duties or similar duties or taxes become payable thereon or in respect thereof in connection with or as a result of such action or proceedings, the Company shall not be under any obligation to pay (or reimburse any person making payment of) any such duties or taxes (including, if applicable, any penalties);

- (iii) it will keep available for issue sufficient Shares to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares; and
- (iv) it will use its best endeavours to procure that all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to holders of the 2024 Warrants).

13. NOTICES

The Instrument contains provisions relating to notices to be given to Warranholders and the following provisions shall apply to such notices:–

- (i) every Warranholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warranholder are to be sent and if any Warranholder shall fail so to do notice may be given to such Warranholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three (3) days at the principal place of business of the Company in Hong Kong;
- (ii) a notice may be given by delivery, registered or recorded delivery or facsimile message or alternatively, a notice may be given by paid advertisement published in English in at least one English language newspaper in Hong Kong and in Chinese in at least one Chinese language newspaper in Hong Kong; and
- (iii) all notices with respect to any 2024 Warrant standing in the names of joint holders shall be given to whichever of such persons is named first in the register of Warranholders and notice so given shall be sufficient notice to all the joint holders of such 2024 Warrant.

14. OVERSEAS WARRANTHOLDERS

If a Warranholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warranholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall as soon as practicable after exercise by such Warranholder of any Subscription Rights either:–

- (i) allot the Shares which would otherwise have been allotted to such Warranholder to one or more third parties selected by the Company; or

- (ii) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company,

in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relative Warrantholder an amount equal to the consideration received by the Company therefor. If the amount falling to be distributed to such person(s) is less than HK\$100, in which case it will be retained for the benefit of the Company.

15. WINDING UP OF THE COMPANY

- (i) If an effective resolution is passed during the Subscription Period for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders (or some persons designated by them for such purpose by such special resolution) shall be a party, or in conjunction with which a proposal is made to the Warrantholders, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.
- (ii) In the event a notice is given by the Company to its Shareholders and at the time to each Warrantholder as undertaken by the Company in the instrument to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind-up the Company voluntarily, every Warrantholder shall be entitled by irrevocable surrender of his/her/its 2024 Warrant certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not less than two (2) Business Days prior to the proposed Shareholders' meeting), to be allotted and issued by the Company as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, the Shares to be issued pursuant to the exercise of the relevant Subscription Rights. The Company shall give notice to the Warrantholders of the passing of such voluntary winding-up resolution within seven (7) days after the date of the passing thereof.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up will lapse and each 2024 Warrant certificate will cease to be valid for any purpose.

16. GOVERNING LAW

The Instrument and the 2024 Warrants are governed by and will be construed in accordance with the laws of Hong Kong.