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VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED

偉能集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1608)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
 - (2) SUBSCRIPTION UNDER SPECIFIC MANDATE;
 - (3) PROPOSED PLACING AND ISSUE OF PUBLIC FLOAT SHARES UNDER SPECIFIC MANDATE;
 - (4) APPLICATION FOR WHITELASH WAIVER;
- AND
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Subscriber



Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders



Capitalised terms used in this cover page have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 9 to 42 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 43 to 44 of this circular. A letter from Red Sun Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 45 to 87 of this circular.

A notice convening the EGM of VPower Group International Holdings Limited to be held at Units 2701-05, 27/F, Office Tower 1, The Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 15 September 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 11:00 a.m. on Wednesday, 13 September 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

* *References to time and dates in this circular are to Hong Kong time and dates*

30 August 2023

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day that is not a Saturday, Sunday or a public holiday in Hong Kong or a day on which a tropical cyclone warning signal number 8 or above, or a black rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. (Hong Kong time) on which licensed banks in Hong Kong are open generally for normal banking business
“BVI”	British Virgin Islands
“Capitalised EPC Amount”	such portion of the Outstanding EPC Amount that will be used to offset the Subscription Amount in full, being HK\$1,381,992,155
“Central SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 267)
“CITIC Pacific Limited”	CITIC Pacific Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of CITIC Limited
“Classic Legend”	Classic Legend Holdings Limited, a company incorporated in the BVI with limited liability and solely owned by Ms. Chan Mei Wan. It was a Shareholder holding approximately 14.34% of the issued share capital of the Company immediately after completion of the Restructuring and as at the Latest Practicable Date
“close relative(s)”	has the meaning ascribed to it under the Takeovers Code

DEFINITIONS

“CNTIC VPower JV”	CNTIC VPower Group Holdings Limited (中技偉能集團控股有限公司), a company incorporated in Hong Kong with limited liability and a 50/50 joint venture of the Group and the Subscriber
“Company”	VPower Group International Holdings Limited (偉能集團國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1608)
“Completion”	the completion of the Subscription
“Completion Date”	expected to be the fifth Business Day after the date on which the last condition precedent to Completion is fulfilled (or waived, where applicable) and remaining fulfilled up to Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Stock Exchange (stock code: 1766) and the Shanghai Stock Exchange (stock code: 601766), respectively
“CRRC (HK)”	CRRC (Hong Kong) Co., Limited (中國中車(香港)有限公司), a company incorporated in Hong Kong with limited liability and a subsidiary of CRRC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Units 2701-05, 27/F, Office Tower 1, The Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Friday, 15 September 2023 at 11:00 a.m. to consider, and if thought fit, to approve the resolutions contained in the notice of the meeting which is set out on pages EGM-1 to EGM-5 of this circular, or any adjournment thereof

DEFINITIONS

“Energy Garden”	Energy Garden Limited, a company incorporated in the BVI with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date and immediately prior to the completion of the Subscription and the Placing, which is the Warrantor
“EPC”	engineering, procurement and construction, a particular form of contracting arrangement typically used in some industries where the EPC contractor is made responsible for all the activities from design, procurement, construction, to commissioning and handover of the project to the end-user or owner
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries from time to time
“Group Company(ies)”	member(s) of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IBO”	investment, building and operating business, one of the two principal business segments of the Group
“Increase in Authorised Share Capital”	proposed increase in the authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 5,000,000,000 Shares
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, which was formed to advise the Independent Shareholders on the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver pursuant to the Takeovers Code

DEFINITIONS

“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee in relation to the Subscription and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Subscriber and parties acting, or presumed to be acting, in concert with it (including (a) Energy Garden, (b) Classic Legend, (c) Jet Lion, (d) Jubilee City, (e) Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Ms. Chan Mei Wan and Ms. Tang Wenjing, being the ultimate beneficial owners of Energy Garden prior to and/or immediately after completion of the Restructuring (as the case may be), (f) Mr. Chan Yat Chor, being a close relative of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the Restructuring and the sole shareholder of Classic Legend), (g) Next Admiral and (h) CRRC (HK)), and (ii) all other parties who are interested in or involved in the Subscription and/or the Whitewash Waiver (including Mr. Lo Siu Yuen)
“Independent Third Party(ies)”	third party(ies) independent of and not acting in concert with the Company or any of its substantial shareholders in relation to the control of the Company within the meaning of the Takeovers Code and independent of and not connected with the Company, any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Jet Lion”	Jet Lion Holdings Limited, a company incorporated in the BVI with limited liability and solely owned by Mr. Lee Chong Man Jason. It was a Shareholder holding approximately 7.17% of the issued share capital of the Company immediately after completion of the Restructuring and as at the Latest Practicable Date
“Joint Announcement”	the joint announcement dated 12 June 2023 jointly issued by the Company and the Subscriber, in relation to, among other things, the Increase in Authorised Share Capital, the Subscription under Specific Mandate, the application for Whitewash Waiver and the appointment of Independent Financial Adviser

DEFINITIONS

“Jubilee City”	Jubilee City Limited, a company incorporated in the BVI with limited liability and solely owned by Ms. Tang Wenjing. It was a Shareholder holding approximately 7.17% of the issued share capital of the Company immediately after completion of the Restructuring and as at the Latest Practicable Date
“Konwell Dev”	Konwell Developments Limited, a company incorporated in the BVI with limited liability, the sole shareholder of Energy Garden before the Restructuring
“Latest Practicable Date”	28 August 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Last Trading Day”	9 June 2023, being the last trading day of the Shares on the Stock Exchange prior to the date of the Joint Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 September 2023 or such other date as mutually agreed in writing between the Company and the Subscriber
“Myanmar”	The Republic of the Union of Myanmar
“Next Admiral”	Next Admiral Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of CITIC Pacific Limited
“Outstanding EPC Amount”	the total amount owed by VH to the Subscriber in the amount of USD197,096,574.15 (equivalent to approximately HK\$1,537,353,000) under the Subcontractor EPC Contract
“Placee(s)”	professional, institutional and other investors procured by the Placing Agent to subscribe for the Placing Shares
“Placing”	placing of the Placing Shares by the Placing Agent on a best effort basis to Placees pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Goldlink Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO

DEFINITIONS

“Placing Agreement”	the placing agreement dated 24 August 2023 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.33 per Placing Share
“Placing Shares”	no less than 691,000,000 Shares and no more than 760,000,000 Shares to be allotted and issued under the Placing
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Public Float”	the requirements under Rule 8.08 of the Listing Rules for a listed company to maintain at least 25% of the total number of issued shares held by the public (or such lower level as may be approved by the Stock Exchange)
“Public Float Shares”	such number of new Shares to be allotted and issued by the Company to maintain the Public Float of Shares by way of Placing, the Subsequent Arrangements and other measures (if required and implemented)
“Relevant Period”	the period commencing on the date falling six months (i.e. 12 December 2022) prior to the date of the Joint Announcement and ending on the Latest Practicable Date
“relevant securities”	as defined in Note 4 to Rule 22 of the Takeovers Code
“Restructuring”	restructuring of Energy Garden and Konwell Dev, which involved (among other steps) distribution by Energy Garden of certain Shares to Classic Legend, Jet Lion and Jubilee City in proportion to their respective pre-Restructuring shareholdings in Konwell Dev
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Award Scheme”	the share award scheme adopted by the Company on 18 July 2017
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“SI”	system integration business, one of the two principal business segments of the Group
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders and Shareholders (as the case may be) at the EGM to grant the authority to the Directors for the issue of the Subscription Shares and the Placing Shares (and Shares to be allotted and issued under the Subsequent Arrangements (if required and implemented))
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontractor EPC Contract”	the subcontractor EPC contract dated 14 October 2019 entered into between VH and the Subscriber in relation to the subcontracting work undertaken by the Subscriber for the 400 MW Thaketa Project (and its amendments)
“Subscriber”	China National Technical Import & Export Corporation (中國技術進出口集團有限公司), a wholly-owned subsidiary of China General Technology (Group) Holding Co., Ltd. (中國通用技術(集團)控股有限責任公司) which is under the direct supervision of Central SASAC
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into among the Company, the Subscriber, VH and Energy Garden as the warrantor dated 12 June 2023 in relation to the Subscription and where the context so required, as supplemented by the Supplemental Subscription Agreement
“Subscription Amount”	HK\$1,381,992,155
“Subscription Price”	HK\$0.42 per Subscription Share
“Subscription Share(s)”	3,290,457,511 new Shares conditionally agreed to be allotted and issued by the Company and subscribed for by the Subscriber pursuant to the Subscription Agreement

DEFINITIONS

“Subsequent Arrangements”	has the meaning as defined in the paragraph headed “11. Proposed Placing and issue of Public Float Shares under Specific Mandate” in the “Letter from the Board” in this circular
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Subscription Agreement”	the supplemental subscription agreement entered into among the Company, the Subscriber, VH and the Warrantor dated 28 August 2023 to extend the long stop date under the Subscription Agreement
“Takeovers Code”	The Code on Takeovers and Mergers
“USD”	United States Dollars, the lawful currency of the United States of America
“VH”	VPower Holdings Limited (偉能集團有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Warrantor”	Energy Garden, the warrantor under the Subscription Agreement
“Whitewash Waiver”	the waiver by the Executive under Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the Shareholders for all issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or any persons acting in concert with it as a result of the issue of the Subscription Shares to the Subscriber
“%”	per cent

Unless otherwise specified in this circular and for the purpose of illustration only, USD has been translated to HK\$ at the rate of USD1=HK\$7.8. No representation has been made by the Company that any amount expressed in foreign currency in this circular has been, could have been or could be converted at any rates at all. The actual exchange rate between USD and HK\$ for the purpose of the transaction shall be subject to the Subscription Agreement.



VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED

偉能集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1608)

Executive Directors:

Mr. Lam Yee Chun (*Executive Chairman and
Co-Chief Executive Officer*)
Mr. Lee Chong Man Jason (*Co-Chief Executive Officer*)
Mr. Lo Siu Yuen

Non-executive Directors:

Ms. Chan Mei Wan (*Vice Chairwoman*)
Mr. Wong Kwok Yiu

Independent Non-executive Directors:

Mr. David Tsoi
Mr. Yeung Wai Fai Andrew
Mr. Suen Wai Yu

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

***Head Office and Principal
Place of Business in***

Hong Kong:
Units 2701-05, 27/F
Office Tower 1
The Harbourfront
18-22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

30 August 2023

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) SUBSCRIPTION UNDER SPECIFIC MANDATE;
(3) PROPOSED PLACING AND ISSUE OF PUBLIC FLOAT SHARES
UNDER SPECIFIC MANDATE;
(4) APPLICATION FOR WHITEWASH WAIVER;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to (i) the Joint Announcement in relation to, among other things, the Increase in Authorised Share Capital, the Subscription under Specific Mandate, the application for Whitewash Waiver and the appointment of Independent Financial Adviser; (ii) the announcement of the Company dated 24 August 2023 in relation to, among other things, the Placing and the issue of

LETTER FROM THE BOARD

Public Float Shares under Specific Mandate; and (iii) the joint announcement dated 28 August 2023 jointly issued by the Company and the Subscriber in relation to the entering into of the Supplemental Subscription Agreement and the extension of the long stop date under the Subscription Agreement.

The purpose of this circular is to provide Shareholders with information reasonably necessary to enable Shareholders or the Independent Shareholders (as the case may be) to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM, including:

1. details of the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate), the Placing and the issue of Public Float Shares under Specific Mandate, the Increase in Authorised Share Capital and the Whitewash Waiver;
2. the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver;
3. the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver;
4. other information as required under the Listing Rules and the Takeovers Code; and
5. the notice of the EGM at which relevant resolutions will be proposed to consider and approve, (i) the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate); (ii) the Placing and the issue of the Public Float Shares under Specific Mandate; (iii) the Whitewash Waiver; and (iv) the Increase in Authorised Share Capital.

2. SUBSCRIPTION UNDER SPECIFIC MANDATE

On 12 June 2023 (after trading hours), the Company, the Subscriber, VH and the Warrantor entered into the Subscription Agreement, which is amended by the Supplemental Subscription Agreement entered into by the parties to the Subscription Agreement on 28 August 2023.

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

Issuer:	The Company
Subscriber:	China National Technical Import & Export Corporation
Warrantor:	Energy Garden

LETTER FROM THE BOARD

Class and par value of Subscription Shares to be issued: Ordinary shares of the Company with a par value of HK\$0.10 each

Number of Subscription Shares to be issued: 3,290,457,511 new Shares will be issued, which represent (i) approximately 121.79% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 54.91% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares to be issued, with a par value of HK\$0.10 each, will be HK\$329,045,751.10.

The number of Subscription Shares was determined after arm's length negotiation between the Company and the Subscriber after taking into account (i) Subscriber's intention to acquire a controlling interest of the Company through the Subscription, (ii) the potential dilutive effect on the Shareholders if the entire Outstanding EPC Amount is converted into Shares and (iii) the Subscription Amount which represents about 90% of the Outstanding EPC Amount such that a substantial portion of the Outstanding EPC Amount will be settled through the Subscription.

The Subscription Shares will be allotted and issued under Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

Subscription Price: HK\$0.42 per Share, which represents:

- (i) a premium of approximately 7.69% over the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 2.44% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of 5.00% over the average closing price of HK\$0.40 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a premium of approximately 7.69% over the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 63.79% to the audited consolidated net asset per Share of approximately HK\$1.16 as at 31 December 2022; and
- (vi) a discount of approximately 59.62% to the unaudited consolidated net asset per Share of approximately HK\$1.04 as at 30 June 2023.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber after taking into account (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2022, including the net asset and net current liabilities, (ii) the recent trading prices of the Shares and the trading volume, (iii) the expected shareholding of the Subscriber in the Company and the Subscriber becoming the controlling Shareholder upon the Completion, and (iv) the potential synergies arising from the cooperation between the Company and the Subscriber, as detailed in the paragraph headed "8. Reasons for the Subscription" in this letter.

Expected proceeds from the Subscription:

The Subscription Amount in the sum of HK\$1,381,992,155 will be satisfied in full by way of application of and offsetting the Capitalised EPC Amount (being the agreed part of the Outstanding EPC Amount to be offset through the Subscription), no cash proceeds will be received by the Company from the Subscription. On the basis of the Capitalised EPC Amount, the estimated net subscription price for each Subscription Share will be approximately HK\$0.42.

Ranking of the Subscription Shares:

The Subscription Shares will rank *pari passu* in all respects with the existing Shares in issue, including the right to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Shares in their fully-paid form.

LETTER FROM THE BOARD

- Application for listing of the Subscription Shares to be issued:** Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.
- Lock-up period:** No lock-up period restriction is imposed for the Subscription Shares.
- Conditions precedent:** The Completion shall be subject to the fulfilment (or waiver, where applicable) of the following conditions precedent:
- (i) from the date of the Subscription Agreement and up to the Completion Date, there shall not have occurred any suspension or limitation of trading in any of the Shares on the Stock Exchange (save and except for any trading halt in relation to the Subscription and placing of Public Float Shares (if any), and trading halts for the sole purpose of the Company announcing inside information with such trading halt being lifted by the next Business Day after the publication of the relevant announcement and no more than five trading days in duration for each occurrence);
 - (ii) all consents and/or waivers and/or agreements on (i) time extension for prepayment or repayment, endorsements, confirmation on transitional arrangements from lenders who have extended financing to the Group and (ii) change of control clause, the consents of which are required under the relevant financing documents for the purpose of implementing the Subscription, having been obtained and remaining in full force and effect;
 - (iii) there has been no petition filed, order made or effective resolution passed for the bankruptcy, liquidation or winding up of the Company, the Warrantor or any other Group Company that is a principal subsidiary of the Company in the annual report of the Company for the year ended 31 December 2022;

LETTER FROM THE BOARD

- (iv) the Company having obtained approvals from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Public Float Shares, such approvals remaining valid and conditions for such approvals remaining satisfied up to the Completion;
- (v) the Executive having granted the Whitewash Waiver and all conditions prescribed for the grant of the Whitewash Waiver having been satisfied, and the Whitewash Waiver not having been subsequently revoked or withdrawn;
- (vi) the Subscriber having obtained (or completed, as the case may be) all of the approvals, consents, filings and/or registrations with respect to the Subscription legally required from its sole executive director, its ultimate controller, and the competent governmental authorities having jurisdiction over the Subscriber, including (a) as a state-owned enterprise, the approval of the competent state-owned assets supervision and administration authority (i.e. Central SASAC) with respect to the Subscription and completion of the state-owned assets appraisal or valuation and filing procedures, in accordance with the PRC laws; and (b) as a PRC company, the completion of relevant overseas direct investment approval/filing procedures with the National Development and Reform Commission of the PRC, the Ministry of Commerce of the PRC and the State Administration of Foreign Exchange or its competent local bureau or one of its designated banks in the PRC with respect to the Subscription, in accordance with the PRC laws;
- (vii) the necessary resolutions to be set out in this circular (please refer to the notice of EGM as set out on pages EGM-1 to EGM-5 of this circular for the proposed resolutions to be considered at the EGM) having been duly approved by the Board, Shareholders and the Independent Shareholders (as the case may be), with such resolutions not having been revoked or vitiated;

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- (viii) the representations and warranties given by the Company and the Warrantor in the Subscription Agreement remaining true, accurate and complete in all material respects and not misleading from the date of the Subscription Agreement up to the Completion Date, and where there are breaches prior to the Completion, such breaches having been remedied to the Subscriber's reasonable satisfaction;
- (ix) the undertakings made by the Company and the Warrantor having been complied with from the date of the Subscription Agreement up to the Completion Date; and
- (x) the arrangements that will be put in place to issue the Public Float Shares to Independent Third Parties and parties not acting in concert with the Subscriber (the "**Public Float Arrangements**") remaining legally binding and valid, and not terminated in accordance with its/their terms, and the only condition (if any) remaining outstanding for the Public Float Arrangements being completion of the Subscription.

With regard to condition (x), the Company has entered into the Placing Agreement with the Placing Agent to implement the issue of Public Float Shares. For details, please refer to the paragraph headed "11. Proposed Placing and issue of Public Float Shares under Specific Mandate" in this letter.

Save for conditions (i) to (iii), (viii) and (ix) which may be waived by the Subscriber, none of the above conditions may be waived by any party to the Subscription Agreement and therefore, if any conditions above cannot be satisfied (or waived, where applicable) on or before the Long Stop Date (including but not limited to, if the Whitewash Waiver is not granted or approved as per condition (v) above) and the Long Stop Date is not extended, the Subscription will not proceed.

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The long stop date under the Subscription Agreement was originally agreed to be three months after the date of the Subscription Agreement (i.e. 12 September 2023). In view of the latest status of the Subscription including the expected time required for the fulfilment of the conditions precedent of the Subscription, the Company, the Subscriber, VH and the Warrantor entered into the Supplemental Subscription Agreement to extend the long stop date to 30 September 2023 (or such other date as mutually agreed in writing between the Company and the Subscriber).

Save for the extension of the long stop date under the Subscription Agreement, all other terms and conditions of the Subscription Agreement remain unchanged and in full force and effect in all respects.

As at the Latest Practicable Date, there was no breach of conditions (i), (iii), (viii), (ix) and (x) and none of the conditions had been satisfied (or waived, where applicable).

Completion:

Completion of the Subscription Agreement will take place on the Completion Date, and simultaneously with the completion of the issue of the Public Float Shares to Independent Third Parties and parties not acting in concert with the Subscriber.

Termination:

The Subscription Agreement may be terminated upon the occurrence of the following events:

- (i) at any time on or prior to Completion Date, by written agreement among the parties to the Subscription Agreement; or
- (ii) at the election of the Subscriber, where it is discovered that any of the Group Companies or the Group's joint ventures (other than CNTIC VPower JV and its subsidiaries) have material liabilities that have not been disclosed to the Subscriber prior to the date of the Subscription Agreement; or
- (iii) at the election of the Subscriber, if there is any change or development or event which would, in the reasonable opinion of the Subscriber, either individually or in aggregate have a material adverse effect; or

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- (iv) at the election of the Subscriber, where there occurs termination (or non-renewal) of any of the Group's SI or IBO businesses projects, or the termination (or non-renewal) of power purchase agreements of which the Group is a party of, where such termination is without the Subscriber's prior written consent and such termination constituting a material adverse effect; or
- (v) at the election of the Subscriber, if there has been a material breach of any representations and warranties, undertaking, covenant or agreement by the Company or the Warrantor contained in the Subscription Agreement or any other transaction document, which breach has not been remedied; or
- (vi) at the election of the Subscriber, if there is commencement of action(s) by any governmental authority against any Group Company, any director or senior management of the Company, or a notice having been received by any Group Company issued by such governmental authority that it has commenced investigation into any such action(s); or
- (vii) in the case of *force majeure* in accordance with the provisions of the Subscription Agreement; or
- (viii) in accordance with the termination provisions if Completion does not take place on the Completion Date because the Company fails to comply with any of its obligations and the Subscriber by written notice to the Company terminates the Subscription Agreement; or
- (ix) at the election of the Subscriber, where any of the Group Companies has any petition filed, order made or effective resolution passed for the bankruptcy, liquidation or winding up of the Company, the Warrantor or any other Group Company.

The Subscription Agreement will be terminated automatically if:

- (aa) Completion has not occurred on or before 5:00 p.m. Hong Kong time on the fifth Business Day after the Long Stop Date; or

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(bb) any condition precedent is shown to have been breached and/or not being capable of being fulfilled (or waived, where applicable) on or before the Long Stop Date and the Long Stop Date is not extended by agreement in writing between the Company and the Subscriber.

3. PROPOSED CHANGE IN COMPOSITION OF THE BOARD

Immediately after the fulfilment of the condition precedent (vii), and subject to compliance with the Takeovers Code, the Company will procure the composition of the Board to change, with the Subscriber nominating four executive Directors and two independent non-executive Directors to the Board by replacing some of the existing Directors, with the total number of Directors on the Board increasing from eight to nine.

Details of the actual changes of the Board and Board committee compositions, and biographies of new Directors to be appointed will be disclosed by way of announcement as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

4. BACKGROUND OF THE OUTSTANDING EPC AMOUNT, THE CAPITALISED EPC AMOUNT AND THE SUBCONTRACTOR EPC CONTRACT

In the second half of 2019, the Group and the Subscriber as a consortium submitted tenders to Electric Power Generation Enterprise, Ministry of Electricity and Energy of the Government of Myanmar, for liquefied natural gas to power projects, including (among them) the 400 MW Gas Fired Power Plant (Thaketa) Project situated at Thaketa Myanmar (“**400 MW Thaketa Project**”) and won the bids. CNTIC VPower JV was then formed to execute the power projects awarded. For further details, please refer to the announcements of the Company dated 9 October 2019, 10 February 2020, 18 May 2020, 15 June 2020 and 2 July 2020.

CNTIC VPower JV (as the project owner of the 400 MW Thaketa Project), through its wholly-owned subsidiary, appointed a wholly-owned subsidiary of the Company, VH, which engages in the SI business and offers EPC services, as the head contractor for the said project. The contracting fee of VH as the head contractor is USD295,030,651 (equivalent to approximately HK\$2,301,239,078). To execute the project, VH and the Subscriber entered into the Subcontractor EPC Contract under which VH appointed the Subscriber as the sub-contractor.

When CNTIC VPower JV was set up, it was expected that the power projects awarded would generate, on an annual basis, electricity of approximately 5.9 million MWh for revenue of approximately USD690 million (equivalent to approximately HK\$5,382 million) upon achievement of commercial operation to the fullest extent. Following certain political incidents in Myanmar, which took place in early February 2021, there arose adverse changes in the political, economic and social environments in Myanmar, which have brought challenges to the operations of CNTIC

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VPower JV. Power generation was then scaled down and the operation of the 400MW Thaketa Project has been suspended entirely since the second half of 2021. CNTIC VPower JV recorded loss of HK\$401.16 million for the year ended 31 December 2022.

In 2020, CNTIC VPower JV originally planned to obtain bridging loans from various banks in the aggregate principal amount of USD160 to 200 million (equivalent to approximately HK\$1,248 to 1,560 million) and project financing from a bank in the principal amount of USD50 to 70 million (equivalent to approximately HK\$390 to 546 million); and explored the issuance of senior notes in the principal amount of USD200 to 300 million (equivalent to approximately HK\$1,560 to 2,340 million), to fund its capital expenditure, including that for the 400 MW Thaketa Project, and working capital. However, all these discussions and arrangements were discontinued after the occurrence of political incidents of Myanmar in February 2021 due to the financial institutions' concern about the uncertainties in the political, economic and social environments in the country and the prospect of CNTIC VPower JV. Due to project suspension and inability to obtain further financing, CNTIC VPower JV has had difficulty to meet its outstanding payment obligations, including the outstanding contracting fee payable to VH.

The EPC services performed under the Subcontractor EPC Contract were completed in the fourth quarter of 2021 and the last stage payment in the sum of USD197,096,574.15 (equivalent to approximately HK\$1,537,353,000), i.e. the Outstanding EPC Amount, became payable to the Subscriber. As a substantial portion of the contracting fee payable by CNTIC VPower JV to VH remained outstanding and the Group's cash flow having regard to its reduced profits and tightened working capital in the past two years could not support VH's settlement of the Outstanding EPC Amount, such payment in its entirety remained outstanding as at the Latest Practicable Date.

Since the Company, as the parent company of VH, has entered into a guarantee (“**Guarantee**”) with the Subscriber to guarantee VH's payment obligations under the Subcontractor EPC Contract and as the amount payable under the Subcontractor EPC Contract due to the Subscriber has been adversely affecting the financial position of the Group for a while; settlement of such amount payable in the near future is likely to cause immense pressure on the Group's cash flow having regard to the financial resources currently available to the Group; and potential synergies are anticipated through the Subscriber becoming a major Shareholder (please refer to paragraph headed “8. Reasons for the Subscription” in this letter for an elaboration of the collaborations and synergies between the Subscriber and the Group), the Company and the Subscriber negotiated for entering into the Subscription Agreement and transactions contemplated thereunder. Certain financial information of the Group for the three financial years ended 31 December 2022 and the reasons for the Company's entry into the Subscription Agreement including the expected financial impact of the Subscription on the Group are set out in the paragraphs headed “5. General information on the parties to the Subscription Agreement” and “8. Reasons for the Subscription” in this letter.

Upon Completion, the Capitalised EPC Amount will be offset against the Subscription Amount and the remaining unsettled portion of the Outstanding EPC Amount would amount to approximately USD19,918,092.74 (equivalent to approximately HK\$155,361,000). It is agreed

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between the Company and the Subscriber that such remaining amount shall remain payable in accordance with the terms of the Subcontractor EPC Contract and continue to be covered by the Guarantee. It is expected that after the Subscriber becoming a major Shareholder, more business collaborations between the Subscriber and the Group are expected, hence bringing synergy effect and benefits to the business and development of the Group as a whole and further, leveraging on the financial strength and corporate scale of the Subscriber, the Group will be able to enjoy a lower cost of capital and more sources of financing. Please refer to paragraph headed “8. Reasons for the Subscription” in this letter for more relevant information. In such connection, VH and the Company intend to use the internal resources of the Group from operating and financing activities to meet the remaining obligations under the Subcontractor EPC Contract, hence the Guarantee.

5. GENERAL INFORMATION ON THE PARTIES TO THE SUBSCRIPTION AGREEMENT

The Company is incorporated under the laws of the Cayman Islands with limited liability with its Shares listed on the Main Board of the Stock Exchange since 24 November 2016. The Group is a gen-set system integration provider and a gas-fired engine-based distributed power generation (“DPG”) station owner and operator. The Group’s principal businesses include (i) system integration (i.e. designing, integrating and selling gen-sets and power generation systems); and (ii) investment, building and operating business (i.e. designing, investing in, building and operating DPG stations for off-takers).

Set out below is a summary of the audited consolidated financial information of the Company for the three financial years ended 31 December 2022:

	For the financial year ended 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3,361,325	5,094,079	3,386,936
Profit/(loss) before tax	(316,199)	106,677	582,365
Profit/(loss) for the year attributable to the owners of the Company	(316,852)	45,689	516,294
	As at 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	122,347	462,359	978,182
Total assets	8,911,328	10,349,317	9,131,061
Total current liabilities	5,631,430	4,509,195	3,195,506
Total liabilities	5,771,271	6,816,870	5,649,573
Net current assets/(liabilities)	(1,081,407)	467,683	152,544
Net assets	3,140,057	3,532,447	3,481,488

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VH is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company that is primarily engaged in investment holding, trading of engines and components, and sale and installation of power generation systems.

Energy Garden is a company incorporated in the BVI with limited liability and is the controlling shareholder of the Company as at the Latest Practicable Date and immediately prior to the completions of the Subscription and the Placing. Energy Garden held 1,883,446,000 Shares, representing approximately 69.71% of the entire issued share capital of the Company immediately before the Restructuring. Prior to the Restructuring, Energy Garden was wholly-owned by Konwell Dev, which was in turn owned as to (i) 58.87% by Sunpower Global Limited (which is ultimately and solely owned by Mr. Lam Yee Chun, an executive Director, the executive chairman and a co-chief executive officer of the Group); (ii) 20.57% by Classic Legend (which is ultimately and solely owned by Ms. Chan Mei Wan, the spouse of Mr. Lam Yee Chun and a non-executive Director); (iii) 10.28% by Jet Lion (which is ultimately and solely owned by Mr. Lee Chong Man Jason, an executive Director and a co-chief executive officer of the Group); and (iv) 10.28% by Jubilee City (which is ultimately and solely owned by Ms. Tang Wenjing who is an employee of the Group). The principal business of Energy Garden is investment holding.

Energy Garden and Konwell Dev underwent the Restructuring which involved (among other steps) distribution by Energy Garden of certain Shares to Classic Legend, Jet Lion and Jubilee City in proportion to their respective pre-Restructuring shareholdings in Konwell Dev. Completion of the Restructuring took place on 25 August 2023. The shareholding structure of the Company and Energy Garden and their respective ultimate shareholders immediately after completion of the Restructuring and as at the Latest Practicable Date is set out below (without taking into consideration the Shares held by the other Shareholders):

- (a) Energy Garden held 1,108,826,000 Shares, representing approximately 41.04% of the total issued share capital of the Company. Energy Garden is wholly-owned by Sunpower Global Limited which is solely owned by Mr. Lam Yee Chun;
- (b) Classic Legend held 387,380,000 Shares, representing approximately 14.34% of the total issued share capital of the Company. Classic Legend is solely owned by Ms. Chan Mei Wan;
- (c) Jet Lion held 193,620,000 Shares, representing approximately 7.17% of the total issued share capital of the Company. Jet Lion is solely owned by Mr. Lee Chong Man Jason; and
- (d) Jubilee City held 193,620,000 Shares, representing approximately 7.17% of the total issued share capital of the Company. Jubilee City is solely owned by Ms. Tang Wenjing.

The Subscriber is a company established under the laws of the PRC with limited liability and is indirectly wholly owned and managed by the Central SASAC. Its principal business includes, among other things, import and export of technology, goods and technical services, foreign contract projects and contract energy management. Headquartered in Beijing, up to the Latest Practicable

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Date, the Subscriber group had completed more than 7,500 major technical equipment import, international engineering contracting, complete equipment and technology export projects valued over USD120 billion. These projects cover energy, transportation, communication, petrochemical, metallurgical, building materials, machinery, electronics and pharmaceutical industries, agriculture, and forestry. As of the Latest Practicable Date, the sole executive director of the Subscriber was Mr. Lu Weijun (陸衛軍). Mr. Lu, aged 52, was graduated from China University of Mining and Technology (中國礦業大學) and with the qualification of engineer.

6. LISTING RULES IMPLICATIONS

The Subscription Shares will be allotted and issued under Specific Mandate to be sought from the Independent Shareholders at the EGM. The Subscriber and its ultimate beneficial owners are not connected persons of the Company. The Placing Shares (and Shares to be allotted and issued under the Subsequent Arrangements (if required and implemented)) will be allotted and issued under Specific Mandate to be sought from the Shareholders at the EGM.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Placing Shares (and Shares to be allotted and issued under the Subsequent Arrangements (if required and implemented)).

The Subscription will result in the Public Float of Shares falling below the requirements under Rule 8.08(1) of the Listing Rules. In general, the Stock Exchange would not grant the listing of, and permission to deal in, new Shares where the issue of such new Shares would cause or facilitate a breach of requirement(s) under the Listing Rules. Measures have been and will be implemented by the Company to comply with the public float requirements. The grant of the listing of, and permission to deal in, the Subscription Shares is subject to the Company having put in place adequate arrangements to meet the public float requirements after the Completion. On 24 August 2023, the Company entered into the Placing Agreement with the Placing Agent to implement the issue of Placing Shares. In the event the Placing Agreement cannot be completed, and no other placing agreement(s), subscription agreement(s) and/or other agreements or arrangements are entered into and completed for the allotment and issue of new Shares to maintain the Public Float of Shares, the Subscription will not proceed on the basis that the Public Float of Shares cannot be maintained. Please refer to the paragraph headed “11. Proposed Placing and issue of Public Float Shares under Specific Mandate” in this letter for details.

7. TAKEOVERS CODE IMPLICATIONS

(a) No dealings by the Subscriber or parties acting in concert

As at the Latest Practicable Date, (i) the Subscriber did not hold any Shares; (ii) parties acting, or presumed to be acting, in concert with the Subscriber (including (a) Energy Garden, (b) Classic Legend, (c) Jet Lion, (d) Jubilee City, (e) the ultimate beneficial owners of Energy Garden prior to and/or immediately after completion of the Restructuring (as the case may be) (namely, Mr. Lam Yee Chun (being the ultimate beneficial owner of 58.87% equity interest of Energy Garden prior to the Restructuring and the ultimate beneficial owner of the entire equity

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interest of Energy Garden immediately after the Restructuring), Mr. Lee Chong Man Jason (being the ultimate beneficial owner of 10.28% equity interest of Energy Garden prior to the Restructuring), Ms. Chan Mei Wan (being the ultimate beneficial owner of 20.57% equity interest of Energy Garden prior to the Restructuring) and Ms. Tang Wenjing (being the ultimate beneficial owner of 10.28% equity interest of Energy Garden prior to the Restructuring)), (f) Mr. Chan Yat Chor, being a close relative of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the Restructuring and the sole shareholder of Classic Legend), (g) Next Admiral and (h) CRRC (HK)) held an aggregate of 2,199,432,322 Shares, representing approximately 81.41% of the existing issued share capital of the Company as at the Latest Practicable Date.

Save for the Restructuring which does not constitute any disqualifying transaction, none of the Subscriber and parties acting in concert with it had any dealings in the relevant securities of the Company during the Relevant Period.

(b) The Whitewash Waiver application

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the Subscription Shares to be allotted and issued represent (i) approximately 121.79% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 54.91% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Assuming the proposed arrangements to maintain the Public Float of Shares are implemented with a total minimum and maximum of 691,000,000 Shares and 760,000,000 Shares being issued, the Subscription Shares would represent approximately 49.24% and 48.73%, respectively, of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the relevant number of the Public Float Shares.

The Subscriber will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it after Completion Date pursuant to Rule 26 of the Takeovers Code. In this regard, the Subscriber has made an application to the Executive 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 as a result of the allotment and issue of the Subscription Shares to the Subscriber.

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 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 Subscription, respectively, at the EGM.

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(i) The Subscriber, (ii) parties acting, or presumed to be acting, in concert with the Subscriber (including (a) Energy Garden, (b) Classic Legend, (c) Jet Lion, (d) Jubilee City, (e) Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Ms. Chan Mei Wan and Ms. Tang Wenjing, being the ultimate beneficial owners of Energy Garden prior to and/or immediately after completion of the Restructuring (as the case may be), (f) Mr. Chan Yat Chor, being a close relative of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the Restructuring and the sole shareholder of Classic Legend), (g) Next Admiral and (h) CRRC (HK)); and (iii) any other parties who are interested in or involved in the Subscription and/or the Whitewash Waiver (including Mr. Lo Siu Yuen (being an executive Director)) shall abstain from voting in respect of the resolutions to approve the Subscription and the Whitewash Waiver at the EGM.

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 Subscription and/or the Whitewash Waiver.

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

8. REASONS FOR THE SUBSCRIPTION

The Directors (excluding the members of the Independent Board Committee, whose views are formed after being advised by the Independent Financial Adviser and are set forth in the “Letter from the Independent Board Committee” in this circular) are of the view that the Subscription will be advantageous to both financial performance and strategic development of the Group.

As reported in the consolidated financial statements of the Group for the financial year ended 31 December 2022, the Group had total liabilities of approximately HK\$5,771.3 million, total current liabilities of approximately HK\$5,631.4 million and net current liabilities of approximately HK\$1,081.4 million.

The Company had explored and assessed other financing alternatives, including both debt and equity financing, before entering into the Subscription Agreement with the Subscriber.

As far as debt financing is concerned, since early 2022 and up to the entering into of the Subscription Agreement, the Group took steps to request four existing financial institutions for upsizing current banking facilities to the Group, and made efforts on obtaining new credit facilities from other banks or financial institutes, however, such steps and efforts were not successful mainly due to the Group’s reduced profits and tightened cash flow in the past two years. In addition, further increases in finance cost associated with increased debt may adversely affect the Group’s future profitability.

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As far as equity financing is concerned, the Company made attempts with various investment banks to explore possible equity financing in 2022. However, due to global economic downturn and negative market sentiment at the material time, as well as the performance of the then share prices of the Company and market concern about the Group's exposure in Myanmar, no substantive progress for raising funds through equity financing had been reached.

The Subscription will (i) bring immediate improvement to the Group's financial positions by reducing its total current liabilities and total liabilities by the Capitalised EPC Amount in the amount of approximately HK\$1,382.0 million; and (ii) improve its financial indicators including the current ratio (calculated by dividing total current assets with total current liabilities) given that the total current liabilities of the Group would be decreased by the Capitalised EPC Amount and net gearing ratio (calculated based on the percentage of total borrowings less cash and cash equivalents, restricted cash and pledged deposits to total equity), given that the total equity of the Group will be enlarged by the allotment and issue of the Subscription Shares.

The Subscriber is a sizable, well-established and highly reputable state-owned enterprise with solid financial resources. As the new controlling shareholder of the Company upon the Completion, the Subscriber is expected to become a strong backup of the Group for its access to various financial resources for new project investments and business expansion so as to resume the fast growth and become a stronger and bigger contributor to the green energy market of the world. Leveraging on the financial strength and corporate scale of the Subscriber, it is also expected that the Group will be able to enjoy a lower cost of capital and more sources of financing, and subsequently achieve a stronger financial position and a higher Shareholders' return.

The Group is an experienced specialist of clean, fast-track, flexible and mobile distributed power which is well-positioned to capture the numerous business opportunities brought by energy transition. It is expected that the Subscriber will facilitate the Group's business growth with its global reach and extensive business network in order to drive the strategic development of its own distributed power segment in the international market. The business support from the Subscriber will enable the Group to efficiently execute the asset redeployment plans and business development plans for higher returns on assets.

Given the background and experience of the Subscriber and the Group as outlined above, in particular, the Subscriber has rich experience in international engineering contracting for centralised large-scale power plants while the Group is experienced and has extensive knowledge in the development and operation of engine-based distributed power stations, after the Subscriber becoming a major Shareholder, more business collaborations between the Subscriber and the Group are expected, hence bringing synergy effect and benefits to the business and development of the Group as a whole. It is expected that as part of their business collaborations, the Subscriber and the Group may work together to provide one stop power solutions to customers from construction and development to operation and maintenance, fully utilising the expertise of two parties and that market intelligence of the energy sector can be exchanged between the parties to facilitate business growth in different regions. Through such collaborations, it is anticipated that the Group will be

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able to expand its business into different applications and develop a more diversified customer base through the extensive business networks of the Subscriber including hospitals, industrial parks and the oil and gas sector.

It is also expected that the Subscription will support the Group to maintain a leading position in the fast-track distributed power generation industry with innovative technologies given the Subscriber's strong R&D and technological capabilities. R&D and technological synergies will emerge allowing the Group to accelerate the development of new and innovative products and solutions to stay ahead of its competitors and provide its customers with cutting-edge green solutions. The Subscription is expected to foster the technological collaboration between the Group and the Subscriber to develop alternative fuel to power solutions and smart grid integration technologies in support of the global decarbonisation journey.

The Company considers that as the effective control of CNTIC VPower JV will be changed upon the Completion, it is expected that CNTIC VPower JV will be able to access more sources of funding at a lower cost of capital with the support from and the resources of the Subscriber. Leveraging on the ultimate controlling shareholder being a Chinese state-owned enterprise and its extensive networks, CNTIC VPower JV will hence be in a better position to revitalise its existing assets through various means, including implementation of redeployment plans, so as to resume profitability and improve liquidity, and ultimately benefit the Group as a shareholder and a creditor.

It is noted that the Subscription Price of HK\$0.42 per Subscription Share represents premium over the closing price per Share on the Last Trading Day and average closing price per Share for the five and ten consecutive trading days respectively immediately prior to the Last Trading Day, while a discount of approximately 63.79% to the audited consolidated net asset per Share of approximately HK\$1.16 as at 31 December 2022 and a discount of approximately 59.62% to the unaudited consolidated net asset per Share of approximately HK\$1.04 as at 30 June 2023. The Directors (excluding the members of the Independent Board Committee, whose views are formed after being advised by the Independent Financial Adviser and are set forth in the "Letter from the Independent Board Committee" in this circular) are of the view that, after taking into account the Group's respective financial performance for the year ended 31 December 2022 and the six months ended 30 June 2023 including the negative return on assets, its respective financial position as at 31 December 2022 and 30 June 2023, financing resources available to the Group and the expected benefits to be brought after the Subscriber becoming the controlling shareholder of the Company, such discounts of the Subscription Price to the consolidated net asset per Share are reasonable.

In the event that resolution relating to the Subscription Agreement and the transactions contemplated thereunder or the Whitewash Waiver is not approved by the requisite approval threshold by the Independent Shareholders at the EGM, the Group may need to negotiate with the Subscriber for an alternative proposal and/or repayment schedule to meet its payment obligations under the Subcontractor EPC Contract; while the Subscriber may also take action to enforce its legal rights under the Subcontractor EPC Contract and the Guarantee to recover the Outstanding EPC Amount any time.

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For the above reasons, the Directors (excluding the members of the Independent Board Committee, whose views are formed after being advised by the Independent Financial Adviser and are set forth in the “Letter from the Independent Board Committee” in this circular) believe that, despite the dilution effect brought by the issue of the Subscription Shares and the Public Float Shares and the discounts of the Subscription Price to the audited consolidated net asset per Share of approximately HK\$1.16 as at 31 December 2022 and to the unaudited consolidated net asset per Share of approximately HK\$1.04 as at 30 June 2023, the Subscription and the terms of Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under Specific Mandate), the Whitewash Waiver and the issue of the Public Float Shares are fair and reasonable, and would be in the interests of the Company and Shareholders as a whole.

9. FUTURE INTENTION OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends to continue with the existing principal businesses of the Group. The Subscriber also intends to maintain the listing of the Shares on the Stock Exchange following the Completion. The Subscriber has no intention to (i) introduce any major changes to the existing business of the Group or (ii) discontinue the employment of any of the Group’s employees or (iii) redeploy the fixed assets of the Group other than in its ordinary course of business.

It has been the mutual intention for the Company and the Subscriber to deepen their business cooperation, and through the Subscription, it is believed that synergy can be created. It is contemplated by the Company and the Subscriber that through the Subscription, the relationship between the parties can be solidified, while at the same time allowing the Company to strengthen its financial position.

The Board has noted the intentions of the Subscriber in respect of the Company and its employees as stated above and is willing to render reasonable co-operation with the Subscriber which is in the interests of the Company and the Shareholders as a whole.

10. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Subscriber is aware that certain state-owned enterprises who are Shareholders are presumed to be acting in concert with the Subscriber. In particular, based on publicly available information and information available to the Company, (i) by virtue of (A) a joint venture relationship between the Company and CITIC Pacific Limited (which indirectly wholly owns Next Admiral, a Shareholder) on the one hand, and (B) the joint venture relationship between the Company and the Subscriber in respect of CNTIC VPower JV on the other hand, and (ii) by virtue of the fact that both CRRC (a parent company of CRRC (HK), a Shareholder) and the parent company of the Subscriber (i.e. China General Technology (Group) Holding Co., Ltd.) are under the direct supervision of the Central SASAC, each of CRRC (HK) and Next Admiral are presumed to be acting in concert with the Subscriber under class (1) presumption in the definition of “acting in concert” under the Takeovers Code (together the “**Class 1 Presumptions**”), notwithstanding the

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fact that CITIC Group Corporation, being the parent company of CITIC Limited (which in turn is the parent company of Next Admiral), is ultimately owned by the Ministry of Finance of the PRC, not Central SASAC.

An application was made to the Executive to rebut the presumption that Next Admiral and CRRC (HK) are acting in concert with the Subscriber in respect of the Subscription, however, in the interest of time, the Subscriber has decided not to proceed with and has withdrawn the application to rebut such presumption.

(i) The Subscriber, (ii) parties acting, or presumed to be acting, in concert with the Subscriber (including (a) Energy Garden, (b) Classic Legend, (c) Jet Lion, (d) Jubilee City, (e) Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Ms. Chan Mei Wan and Ms. Tang Wenjing, being the ultimate beneficial owners of Energy Garden prior to and/or immediately after completion of the Restructuring (as the case may be), (f) Mr. Chan Yat Chor, being a close relative of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the Restructuring and the sole shareholder of Classic Legend), (g) Next Admiral and (h) CRRC (HK)); and (iii) any other parties who are interested in or involved in the Subscription and/or the Whitewash Waiver (including Mr. Lo Siu Yuen (being an executive Director)) are not considered as Independent Shareholders and shall abstain from voting on the resolutions regarding the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, the Company did not believe that the 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 Subscription does not comply with other applicable rules and regulations.

11. PROPOSED PLACING AND ISSUE OF PUBLIC FLOAT SHARES UNDER SPECIFIC MANDATE

For the purposes of meeting the public float requirements after the Completion and raising funds from the capital market, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company appointed the Placing Agent (and the Placing Agent agreed to act) as the placing agent for the Company to procure, on a best effort basis, Placees to subscribe for no less than 691,000,000 Shares and no more than 760,000,000 Shares on the terms and subject to the conditions set out in the Placing Agreement. Through the Placing, the Company will be able to meet the public float requirements under the Listing Rules if no less than 691,000,000 Shares are successfully placed; and the Company targets to raise more funds from the capital market by placing additional number of new Shares, subject to a maximum of 760,000,000 Shares.

LETTER FROM THE BOARD

The Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Date

24 August 2023 (after trading hours)

Parties

- (i) the Company (as issuer); and
- (ii) the Placing Agent (as placing agent)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties and parties not acting in concert with the Subscriber and are not Shareholders.

Placing Shares

The number of Placing Shares to be issued shall be no less than 691,000,000 Shares and be no more than 760,000,000 Shares. As at the Latest Practicable Date, the total number of issued Shares was 2,701,693,013 Shares. Assuming that (a) there is no change in the total issued share capital of the Company after the Latest Practicable Date and up to Completion and completion of the Placing (save for the issue of the Subscription Shares and the Placing Shares); and (b) the maximum of 760,000,000 Shares are successfully placed, the 760,000,000 Shares represent (i) approximately 28.13% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the 760,000,000 Shares to be placed under the Placing.

The Placing Shares (and Shares to be allotted and issued under the Subsequent Arrangements (if required and implemented)) will be allotted and issued under Specific Mandate proposed to be sought from the Shareholders at the EGM.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares then in issue as at the date of allotment and issue of the Placing Shares.

LETTER FROM THE BOARD

Placees

The Placing Agent shall, on a best effort basis, procure not less than six (6) Placees to subscribe for the Placing Shares, at the Placing Price (together with the SFC transaction levy, Accounting and Financial Reporting Council transaction levy, Stock Exchange trading fee, the Central Clearing and Settlement System (CCASS) stock settlement fee and brokerage, if any). The Placing Agent shall obtain a written confirmation from each Placee that such Placee and (where a corporation) its ultimate beneficial owner(s) are, among other matters:

- (i) (aa) third party independent of and not acting in concert with the Company or any of its substantial shareholders in relation to the control of the Company within the meaning of the Takeovers Code and independent of and not connected with any of the Company, the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates, and (bb) third party independent of and not acting in concert with the Subscriber, its shareholders and their respective subsidiaries, or any of their respective associates;
- (ii) not (and have not been since the date falling on six months prior to the date of the Joint Announcement) and will not be, for a period of six months after the date of completion of the Placing, party(ies) acting in concert with the Subscriber;
- (iii) not (as of the date of the Placing Agreement) and will not be (prior to completion of the Placing) Shareholder(s) or their ultimate beneficial owners (at such time) and that none of them shall become a substantial Shareholder as a result of the Placing or immediately after completion of the Placing;
- (iv) acquiring the Placing Shares as principal and beneficial owner for the purpose of investment, and not as an agent;
- (v) not directly or indirectly funded or backed by any director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates in connection with the subscription of the Placing Shares; and
- (vi) not accustomed to take instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or any other disposition of securities in the Company registered in its name or otherwise held by it.

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Placing price

The Placing Price, being HK\$0.33 per Placing Share, represents:

- (i) a discount of approximately 15.38% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of 10.00% over the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (iii) a premium of 10.00% over the average closing price of approximately HK\$0.30 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing Agreement;
- (iv) a premium of approximately 13.79% over the average closing price of approximately HK\$0.29 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Placing Agreement;
- (v) a discount of approximately 19.51% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of 17.50% to the average closing price of HK\$0.40 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (vii) a discount of approximately 15.38% to the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (viii) a discount of approximately 71.55% to the audited consolidated net asset per Share of approximately HK\$1.16 as at 31 December 2022; and
- (ix) a discount of approximately 68.27% to the unaudited consolidated net asset per Share of approximately HK\$1.04 as at 30 June 2023.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to, among other things, the prevailing market prices and the current market conditions.

The net price per Placing Share, after deduction of placing commission and fees and expenses incidental to the Placing, is expected to amount to approximately HK\$0.32.

LETTER FROM THE BOARD

Conditions of the Placing

The Placing is conditional upon the fulfilment (or waiver where applicable) of all of the following conditions:

- (a) all conditions precedent to the completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement having been fulfilled (or, as the case may be, validly waived);
- (b) the resolution(s) set out in this circular (please refer to the notice of EGM as set out on pages EGM-1 to EGM-5 of this circular for the proposed resolutions to be considered at the EGM) having been duly approved by the Shareholders, including (but not limited to) the allotment and issue of the Placing Shares under Specific Mandate, with such resolution not having been revoked or vitiated;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant the approval for the listing of, and permission to deal in, the Placing Shares, such approval remaining valid and conditions for such approval remaining satisfied up to the completion of the Placing;
- (d) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the Placing Agreement;
- (e) there being no indication received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time prior to completion of the Placing;
- (f) the respective warranties of the Company and the Placing Agent under the Placing Agreement remaining true and accurate in all material respects and not misleading; and
- (g) (if applicable) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities whether in Hong Kong and/or in the Cayman Islands (including but not limited to the Stock Exchange and the SFC) or other relevant third parties in connection with the execution and performance of the Placing Agreement, the Placing and other matters contemplated by the Placing Agreement having been obtained by the Company and/or the Placing Agent, as the case may be.

To the best knowledge, information and belief of the Directors, save as disclosed above, there were no other waivers, consents and approvals required to be obtained in respect of condition (g) above as at the Latest Practicable Date.

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Either the Company or the Placing Agent shall at any time prior to the completion of the Placing (by giving notice to the other party in writing) be entitled to waive the obligation of the other party under condition (f) above. Save for the above, none of the other conditions can be waived by any party.

In the event that any of the above conditions is not fulfilled or waived on or before the long stop date of the Placing Agreement, which is also the Long Stop Date of the Subscription Agreement (i.e. 30 September 2023, or such other day as extended by agreement in writing between the Company and the Subscriber), all rights and obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and neither parties shall have any claim against the other in relation to the matters set out in the Placing Agreement (save for any antecedent breaches thereof).

As at the Latest Practicable Date, there was no breach of condition (f) and none of the above conditions to the completion of the Placing had been satisfied (or waived, as applicable).

Completion of the Placing

Subject to the fulfilment (or waiver where applicable) of all conditions set forth above, completion of the Placing shall take place on the Business Day on which completion of the Subscription shall take place (subject always to the completion of the Subscription and completion of the Placing to be taken place simultaneously).

Termination of the Placing

At any time between the date of the Placing Agreement and at or before 4:00 p.m. on the day immediately preceding the date of the completion of the Placing, the Placing Agreement may be terminated by either the Company or the Placing Agent, if, in the reasonable opinion of the said party, the success of the Placing, or the business or financial prospects of the Group would or is likely to be materially and adversely affected by the occurrence of:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of either party, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (b) any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature

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of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of either party, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success or completion of the Placing or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any significant change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success or completion of the Placing or otherwise in the reasonable opinion of either party make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) any material breach of or omits to observe any of the obligations or undertakings by the other party under the Placing Agreement,

then the said party may upon giving written notice to the other party terminates the Placing Agreement with immediate effect, whereupon the obligations of the Placing Agent shall become cease and the Company shall not be liable to pay any placing commission and the Placing Agreement (except for certain provisions stipulated therein) shall forthwith cease and determine and no party shall have any claim against the other party for compensation, costs, damages or otherwise save in respect of any antecedent breach of any obligation by them under the Placing Agreement.

Reasons for and benefits of the Placing

The Placing is implemented in contemplation with the Subscription to maintain the Public Float of Shares upon Completion and to raise funds from the capital market. Please refer to the paragraph headed “8. Reasons for the Subscription” in this letter for the reasons for and benefits of the Subscription.

Having regard to the terms and conditions of the Placing Agreement, the Directors (including the independent non-executive Directors) consider that the Placing Price and the terms of the Placing Agreement (including placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Use of proceeds from the Placing

Assuming that the minimum of 691,000,000 Shares are successfully placed, the gross proceeds from the Placing would amount to HK\$228.03 million; and assuming that the maximum of 760,000,000 Shares are successfully placed, the gross proceeds from the Placing would amount to HK\$250.80 million. The expected net proceeds from the Placing (after

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deduction of all relevant expenses, including but not limited to placing commission, legal expenses and disbursements, and other expenses incidental to the Placing of approximately HK\$7.06 million and HK\$7.75 million, respectively) would amount to approximately HK\$220.97 million (assuming 691,000,000 Shares are successfully placed) and HK\$243.05 million (assuming 760,000,000 Shares are successfully placed), respectively.

The Company intends to apply the net proceeds from the Placing as to 80% for repayment of bank borrowings; and 20% as general working capital.

Other measures to be implemented to comply with the public float requirements

Under the Placing Agreement, the Placing Agent has agreed to procure Placees on a best effort basis to subscribe for no less than 691,000,000 Shares and no more than 760,000,000 Shares to be allotted and issued under the Placing. In the event that the Placing Agent fails to procure Placees to subscribe for no less than 691,000,000 Shares, the Company will put in place further arrangements (“**Subsequent Arrangements**”) to issue new Shares by entering into placing agreement(s), subscription agreement(s) and/or other arrangements with Independent Third Parties and parties not acting in concert with the Subscriber, in order to maintain the Public Float of Shares, provided that (i) the aggregate number of new Shares to be allotted and issued under the Placing Agreement and the Subsequent Arrangements shall be no less than 691,000,000 Shares and be no more than 760,000,000 Shares; (ii) all and any placees and/or subscribers under the Subsequent Arrangements shall be Independent Third Parties and parties not acting in concert with the Subscriber and shall not be Shareholders; and (iii) the placing or subscription price per Share under the Subsequent Arrangements shall be the same as the Placing Price (i.e. HK\$0.33 per Share). Pursuant to the Subscription Agreement, completion of the Subscription and completion of the issue of the Public Float Shares (including the issue of new Shares under the Placing and the Subsequent Arrangements, if required and implemented) will take place simultaneously.

Details of the Subsequent Arrangements (if required and implemented) will be disclosed by way of announcement as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

12. EFFECT ON THE SHAREHOLDING STRUCTURE AS A RESULT OF THE SUBSCRIPTION AND THE PROPOSED ISSUE OF THE PUBLIC FLOAT SHARES

As at the Latest Practicable Date, the number of issued Shares was 2,701,693,013 Shares. As at the Latest Practicable Date, the Company had no outstanding options, convertible securities or warrants which confer the right to subscribe for Shares.

Immediately upon the Completion (but without taking into account any Shares to be issued to maintain the Public Float of Shares), the minimum public float requirements of 25% under Rule 8.08(1) of the Listing Rules will not be satisfied.

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Pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, trading in the Shares will be suspended when the percentage of the public float has fallen below 15%. On this basis, the Company shall issue such number of Shares to maintain the public float of the Company to comply with Rule 8.08(1) of the Listing Rules, the completion of which shall be simultaneous with the Completion.

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion and the issue of the 691,000,000 Shares under the Placing; and (iii) immediately after Completion and the issue of the 760,000,000 Shares under the Placing (assuming there is no change in the total issued share capital of the Company since the Latest Practicable Date and up to Completion and the completion of the Placing save for the issue of the Subscription Shares and the Public Float Shares).

Subscriber and parties acting, or presumed to be acting, in concert with it (comprising public and non-public Shareholders)	As at the Latest Practicable Date		Immediately after Completion and the issue of the 691,000,000 Shares under the Placing ^(Note 2a)		Immediately after Completion and the issue of the 760,000,000 Shares under the Placing ^(Note 2b)	
	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
<i>Subscriber</i> ^(Note 8)	—	—	3,290,457,511	49.24%	3,290,457,511	48.73%
<i>Energy Garden</i> ^(Note 3,4,8)	1,108,826,000	41.04%	1,108,826,000	16.59%	1,108,826,000	16.42%
<i>Lam Yee Chun</i> ^(Note 3,4,5,8,9)	2,605,000	0.10%	2,605,000	0.04%	2,605,000	0.04%
<i>Classic Legend</i> ^(Note 3,8)	387,380,000	14.34%	387,380,000	5.80%	387,380,000	5.74%
<i>Chan Mei Wan</i> ^(Note 3,4,5,8,9)	908,000	0.03%	908,000	0.01%	908,000	0.01%
<i>Jet Lion</i> ^(Note 3,8)	193,620,000	7.17%	193,620,000	2.90%	193,620,000	2.87%
<i>Lee Chong Man Jason</i> ^(Note 3,4,5,8,9)	472,000	0.02%	472,000	0.01%	472,000	0.01%
<i>Jubilee City</i> ^(Note 3,12)	193,620,000	7.17%	193,620,000	2.90%	193,620,000	2.87%
<i>Tang Wenjing</i> ^(Note 3,4,5,12)	330,000	0.01%	330,000	0.00%	330,000	0.00%
<i>Next Admiral</i> ^(Note 6,12)	208,768,000	7.73%	208,768,000	3.12%	208,768,000	3.09%
<i>CRRC (HK)</i> ^(Note 6,12)	97,783,322	3.62%	97,783,322	1.46%	97,783,322	1.45%
<i>Chan Yat Chor</i> ^(Note 7,8)	5,120,000	0.19%	5,120,000	0.08%	5,120,000	0.08%
Subtotal	2,199,432,322	81.41%	5,489,889,833	82.15%	5,489,889,833	81.31%
Other non-public Shareholders ^(Note 8)						
<i>Lo Siu Yuen</i> ^(Note 9)	17,611,000	0.65%	17,611,000	0.26%	17,611,000	0.26%
<i>Other core connected persons</i> ^(Note 10)	5,315,915	0.20%	5,315,915	0.08%	5,315,915	0.08%
Subtotal	22,926,915	0.85%	22,926,915	0.34%	22,926,915	0.34%
Public Shareholders ^(Note 12)						
<i>Trustee of the Share Award Scheme</i> ^(Note 11)	13,666,803	0.51%	13,666,803	0.20%	13,666,803	0.20%
<i>Remaining Public Shareholders</i> ^(Note 12)	465,666,973	17.24%	465,666,973	6.97%	465,666,973	6.90%
<i>Holders of Public Float Shares</i> ^(Note 13)	—	—	691,000,000	10.34%	760,000,000	11.26%
Total	2,701,693,013	100.00%	6,683,150,524	100.00%	6,752,150,524	100.00%

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Notes:

- (1) Certain percentage figures included in this table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (2) (a) Assuming a minimum number of 691,000,000 Shares are issued to maintain the Public Float of Shares. (b) Assuming a maximum number of 760,000,000 Shares are issued to maintain the Public Float of Shares.
- (3) Prior to the Restructuring, Energy Garden was wholly-owned by Konwell Dev, which was in turn owned as to (i) 58.87% by Sunpower Global Limited (which is ultimately and solely owned by Mr. Lam Yee Chun, an executive Director, the executive chairman and a co-chief executive officer of the Group); (ii) 20.57% by Classic Legend (which is ultimately and solely owned by Ms. Chan Mei Wan, the spouse of Mr. Lam Yee Chun and a non-executive Director); (iii) 10.28% by Jet Lion (which is ultimately and solely owned by Mr. Lee Chong Man Jason, an executive Director and a co-chief executive officer of the Group); and (iv) 10.28% by Jubilee City (which is ultimately and solely owned by Ms. Tang Wenjing who is an employee of the Group). Upon completion of the Restructuring and as at the Latest Practicable Date, Energy Garden (which is wholly-owned by Sunpower Global Limited which is solely owned by Mr. Lam Yee Chun) held 1,108,826,000 Shares; Classic Legend (which is solely owned by Ms. Chan Mei Wan) held 387,380,000 Shares; Jet Lion (which is solely owned by Mr. Lee Chong Man Jason) held 193,620,000 Shares, and Jubilee City (which is solely owned by Ms. Tang Wenjing) held 193,620,000 Shares.
- (4) By virtue of the joint venture relationship between the Company and the Subscriber through CNTIC VPower JV, Energy Garden and its beneficial owners prior to the completion of the Restructuring, namely, Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Ms. Tang Wenjing are presumed to be acting in concert with the Subscriber.
- (5) The figures represent the Shares held by Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Ms. Tang Wenjing in their personal capacity as beneficial owners and do not take into account the Shares beneficially owned by them through their indirect interest in Energy Garden prior to the completion of the Restructuring or in Sunpower Global Limited, Classic Legend, Jet Lion and Jubilee City respectively upon completion of the Restructuring.
- (6) Based on available public information, Next Admiral is a corporation indirectly wholly-owned by CITIC Limited which is controlled by CITIC Group Corporation, which is ultimately owned by the Ministry of Finance of the PRC. CRRC (HK) is a subsidiary of CRRC which is a controlled corporation of CRRC GROUP Co., Ltd., which is a wholly state-owned enterprise under Central SASAC. For further details on the Class 1 Presumptions under the Takeovers Code for these entities, please refer to the paragraph headed “10. Information Required under the Takeovers Code” in this letter.
- (7) Mr. Chan Yat Chor (being a brother of Ms. Chan Mei Wan and a director of certain subsidiaries of the Company (hence a core connected person of the Company)) held 5,120,000 Shares. As Mr. Chan Yat Chor is a close relative (as defined under the Takeovers Code) of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the completion of the Restructuring and the sole shareholder of Classic Legend), he is presumed to be acting in concert with the Subscriber.
- (8) Other non-public Shareholders refer to holders of Shares who are not the public (as defined under the Listing Rules), other than (a) the Subscriber, (b) Energy Garden (the controlling shareholder of the Company as at the Latest Practicable Date and immediately prior to the completions of the Subscription and the Placing), (c) Classic Legend, (d) Jet Lion, (e) directors of the Company or certain of its subsidiaries, (namely, Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Mr. Chan Yat Chor), the shareholding of each such entity and person are disclosed under “Subscriber and parties acting, or presumed to be acting, in concert with it (comprising public and non-public Shareholders)”.
- (9) Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Mr. Lo Siu Yuen are Directors. Save as aforesaid, there were no other Directors who held Shares as at the Latest Practicable Date.

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- (10) As at the Latest Practicable Date, a total of 5,315,915 Shares were held by five directors of certain subsidiaries of the Company comprising (i) Mr. Liu Boyang, (ii) Mr. Yip Ming Wai, (iii) Mr. Tam Hau Shing, (iv) Mr. Tang Wenlong (who is a cousin of Ms. Tang Wenjing, being the sole beneficial owner of Jubilee City and an employee of the Group) and (v) Ms. Liang Hongyao, all being core connected persons (as defined under the Listing Rules) of the Company and who are not considered as public shareholders under Rule 8.24 of the Listing Rules. However, all of them are not interested in or involved in the Subscription and/or the Whitewash Waiver and are Independent Shareholders. The above figure does not take into account the 5,120,000 Shares held by Mr. Chan Yat Chor (being a director of certain subsidiaries of the Company and a close relative of Ms. Chan Mei Wan and is therefore presumed to be acting in concert with the Subscriber), whose shareholding is disclosed under “Subscriber and parties acting, or presumed to be acting, in concert with it (comprising public and non-public Shareholders)”.
- (11) As at the Latest Practicable Date, the trustee of the Share Award Scheme, namely, Bank of Communications Trustee Limited, held 13,666,803 Shares (being the unvested Shares held on trust by the trustee for the selected eligible persons under the Share Award Scheme). Pursuant to the rules of the Share Award Scheme and Rule 17.05A of the Listing Rules, the trustee of the Share Award Scheme shall abstain from voting in respect of all the resolutions to be proposed at the EGM.
- (12) Shares held by each of Ms. Tang Wenjing in her personal capacity as beneficial owner, Jubilee City (solely owned by Ms. Tang Wenjing), Next Admiral and CRRC (HK) are considered to be held by the public (as defined under the Listing Rules). The 465,666,973 Shares in the table above represented the aggregate number of Shares held by the public Shareholders (“**Remaining Public Shareholders**”) other than those persons and entities mentioned in this note (12), the trustee of the Share Award Scheme and the holders of the Public Float Shares.

As at the Latest Practicable Date, the total number of Shares held by public Shareholders was 979,835,098 Shares, representing approximately 36.27% of the existing issued share capital of the Company. Such 979,835,098 Shares were held by Jubilee City which is solely owned by Ms. Tang Wenjing (as to 193,620,000 Shares), Ms. Tang Wenjing in her personal capacity as beneficial owner (as to 330,000 Shares), Next Admiral (as to 208,768,000 Shares), CRRC (HK) (as to 97,783,322 Shares), the trustee of the Share Award Scheme (as to 13,666,803 Shares) and the Remaining Public Shareholders (as to 465,666,973 Shares).

Taking into account the minimum and maximum number of 691,000,000 Shares and 760,000,000 Shares to be placed, respectively, the total number of Shares held by public Shareholders would be the minimum of 1,670,835,098 Shares and the maximum of 1,739,835,098 Shares respectively, representing approximately 25.00% and 25.77%, respectively, of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the relevant number of the Public Float Shares.

- (13) It is expected that each of the subscribers of the Public Float Shares and (where a corporation) their respective ultimate beneficial owners(s) will be independent of and not connected with the Company and its core connected persons or parties acting in concert with the Subscriber. It is expected that none of the subscribers of the Public Float Shares and (where a corporation) their respective ultimate beneficial owners(s) will become substantial shareholders of the Company immediately after the said allotment and issue of Public Float Shares.

13. INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Shares, of which 2,701,693,013 Shares were issued. Subject to and upon Completion, 3,290,457,511 Subscription Shares will be issued under Specific Mandate and that no more than 760,000,000 Shares will be issued pursuant to the Placing (among which no less than 691,000,000 Shares shall be allotted and issued in order to maintain the Public Float of Shares). In order to accommodate the issue of the Subscription Shares and the Public Float

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Shares, and also taking into account the needs of the issue of new Shares by the Company for fund raising or other purposes in future, the Board proposes to increase the authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 5,000,000,000 Shares.

The Increase in Authorised Share Capital is conditional upon the approval of the Shareholders at the EGM.

The Directors are of the view that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

14. EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Except for the proposed issue of the Public Float Shares, the Company had not conducted any equity fund raising activities in the past 12 months before the Latest Practicable Date.

15. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on, among other things, the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver and as to voting. As Ms. Chan Mei Wan, being a non-executive Director, was the ultimate beneficial owner of 20.57% equity interest of Energy Garden prior to the Restructuring and is the sole shareholder of Classic Legend (a substantial shareholder of the Company upon completion of the Restructuring and as at the Latest Practicable Date) and the spouse of Mr. Lam Yee Chun, the controlling shareholder of Energy Garden which is a party to the Subscription Agreement; and Mr. Wong Kwok Yiu, being a non-executive Director, is an employee of CITIC Pacific Limited (which indirectly wholly owns Next Admiral and is presumed to be a party acting in concert with the Subscriber), they are not considered to be independent for the purpose of giving advice or recommendations to the Independent Shareholders.

Red Sun Capital Limited has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise such committee and the Independent Shareholders as to whether the Subscription and the Whitewash Waiver (as the case may be) are fair and reasonable and make recommendation on voting.

16. EGM

The EGM will be convened and held at Units 2701-05, 27/F, Office Tower 1, The Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 15 September 2023 at 11:00 a.m. to consider and, if thought fit, approve, among other things, (i) the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) by more than

LETTER FROM THE BOARD

50% of the votes cast by the Independent Shareholders by way of poll; (ii) the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll, (iii) the Placing and the issue of the Public Float Shares under Specific Mandate by more than 50% of the votes cast by the Shareholders by way of poll; and (iv) the Increase in Authorised Share Capital by more than 50% of the votes cast by the Shareholders by way of poll. A notice convening the EGM is set out on pages EGM-1 to EGM-5 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 or before 11:00 a.m. on Wednesday, 13 September 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed during the period from Thursday, 14 September 2023 to Friday, 15 September 2023 (both days inclusive), during which period no transfer of Share(s) will be effected. In order to qualify for attending and voting at the EGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 September 2023.

(i) The Subscriber, (ii) parties acting, or presumed to be acting, in concert with the Subscriber (including (a) Energy Garden, (b) Classic Legend, (c) Jet Lion, (d) Jubilee City, (e) Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Ms. Chan Mei Wan and Ms. Tang Wenjing, being the ultimate beneficial owners of Energy Garden prior to and/or immediately after the completion of the Restructuring (as the case may be), (f) Mr. Chan Yat Chor, being a close relative of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the Restructuring and the sole shareholder of Classic Legend), (g) Next Admiral and (h) CRRC (HK)); and (iii) any other parties who are interested in or involved in the Subscription and/or the Whitewash Waiver (including Mr. Lo Siu Yuen (being an executive Director)) shall abstain from voting in respect of the resolution(s) to approve the 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 Scheme (who held 13,666,803 Shares, being the unvested Shares held on trust for the selected eligible persons under the Share Award Scheme as of the Latest Practicable Date) shall abstain from voting in respect of all the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, all resolutions will be put to vote by way of poll at the EGM.

After the closure of the EGM, the poll results will be published on the Company's website (www.vpower.com) and the website of the Stock Exchange (www.hkexnews.hk) in accordance with the Takeovers Code and the Listing Rules.

17. RECOMMENDATION

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver.

The Board (including members of the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under Specific Mandate) as well as the Whitewash Waiver are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Board is also of view that each of (i) the Increase in Authorised Share Capital; and (ii) the Placing and the issue of the Public Float Shares under Specific Mandate (including the entering into of the Placing Agreement with the Placing Agent and the transactions contemplated thereunder and the Subsequent Arrangements) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

18. GENERAL

Shareholders are strongly advised to consider carefully the information in (i) the "Letter from the Board" (as set out on pages 9 to 42 of this circular); (ii) the recommendation of the Independent Board Committee on the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver included in the "Letter from the Independent Board Committee" (as set out on pages 43 to 44 of this circular); and (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver included in the "Letter from the Independent Financial Adviser" (as set out on pages 45 to 87 of this circular), and to consult their professional advisers as they see fit.

LETTER FROM THE BOARD

Your attention is also drawn to the information set out in the appendices to this circular.

As the completion of the Subscription and the completion of the Placing are subject to (i) the satisfaction (or waiver, where applicable) of the conditions precedent as set out in the Subscription Agreement and the Placing Agreement respectively, and (ii) the Subscription Agreement and the Placing Agreement not having been terminated prior to the completion of the Subscription and the completion of the Placing respectively in accordance with the terms therein, the Subscription or the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their stockbrokers, bank managers, solicitors or other professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully,

VPower Group International Holdings Limited
Lam Yee Chun

Executive Chairman and Co-chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.



VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED

偉能集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1608)

30 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**(1) SUBSCRIPTION UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Company dated 30 August 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under Specific Mandate) as well as the Whitewash Waiver are fair and reasonable and on how to vote at the EGM.

Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under Specific Mandate) as well as the Whitewash Waiver. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 45 to 87 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under Specific Mandate) as well as the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions relating to the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under Specific Mandate) as well as the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

For and on behalf of
Independent Board Committee

Mr. David Tsoi

Mr. Yeung Wai Fai Andrew
Independent Non-executive Directors

Mr. Suen Wai Yu

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



红日资本有限公司
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

30 August 2023

To: The Independent Board Committee and the Independent Shareholders

(1) SUBSCRIPTION UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 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 30 August 2023 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 12 June 2023 (after trading hours), the Company, the Subscriber, VH and the Warrantor entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 3,290,457,511 Subscription Shares at a Subscription Price of HK\$0.42 per Subscription Share for a total Subscription Amount of HK\$1,381,992,155, which shall be satisfied in full payable by way of application of and offsetting the Capitalised EPC Amount, which forms part of the Outstanding EPC Amount that is due and payable to the Subscriber.

As set out in the Letter from the Board, the Subscription Shares will be allotted and issued under Specific Mandate to be sought from the Independent Shareholders at the EGM. The Subscriber and its ultimate beneficial owners are not connected persons of the Company. The Placing Shares will be allotted and issued under Specific Mandate to be sought from the Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming that there will be no changes in the issued share capital of the Company between the Latest Practicable Date and the Completion, the Subscription Shares to be allotted and issued represent (i) approximately 121.79% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 54.91% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Assuming the proposed arrangements to maintain the Public Float of Shares is implemented with a total minimum and maximum of 691,000,000 Shares and 760,000,000 Shares being issued, the Subscription Shares would represent approximately 49.24% and 48.73%, respectively, of the issue share capital of the Company as enlarged by the issue of the Subscription Shares and the relevant number of the Public Float Shares.

The Subscriber will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it after Completion Date pursuant to Rule 26 of the Takeovers Code. In this regard, the Subscriber has applied to the Executive 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 as a result of the allotment and issue of the Subscription Shares to the Subscriber. 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 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 Subscription, respectively, at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. David Tsoi, Mr. Yeung Wai Fai Andrew and Mr. Suen Wai Yu, has been established to advise the Independent Shareholders as to whether the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM.

We have been appointed as the independent financial adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 Red Sun Capital Limited and the Company 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

any other fees or benefits from the Company 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 are 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.

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 also reviewed documents, such as (i) the Subscription Agreement; (ii) the Joint Announcement; (iii) the announcement of the Company dated 30 June 2023, 4 August 2023 and 18 August 2023 in relation to, among other things, the delay in despatch of the circular for the EGM; (iv) the announcement of the Company dated 24 August 2023 in relation to, among other things, the Placing and the issue of Public Float Shares under Specific Mandate; (v) the joint announcement dated 28 August 2023 jointly issued by the Company and the Subscriber in relation to the entering into of the Supplemental Subscription Agreement and the extension of the Long Stop Date; (vi) the Letter from the Board contained in the Circular and the accompanying appendices; (vii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (viii) the announcement of the Company in relation to the interim results for the six months ended 30 June 2023 published on 1 August 2023 (the “**2023 Interim Results Announcement**”); and (ix) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Independent Board Committee and the Independent Shareholders solely for their consideration of the 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 Subscription and the Whitewash Waiver:

A. Subscription under Specific Mandate

1. Background and Financial Information of the Group

As set out in the Letter from the Board, the Company is incorporated under the laws of the Cayman Islands with limited liability with Shares listed on the Main Board of the Stock Exchange (the “**Main Board**”) since 24 November 2016. The Group is a gen-set system integration provider and a gas-fired engine-based distributed power generation (“**DPG**”) station owner and operator. The Group’s principal businesses include (i) system integration (i.e. designing, integrating and selling gen-sets and power generation systems); and (ii) investment, building and operating business (i.e. designing, investing in, building and operating DPG stations for off-takers). In addition, VH is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company that is primarily engaged in investment holding, trading of engines and components, and sale and installation of power generation systems.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group's operating results extracted from (i) the 2022 Annual Report; and (ii) 2023 Interim Results Announcement:

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

	For the six months ended		For the year ended	
	30 June		31 December	
	2023	2022	2022	2021
	(unaudited)	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	998,123	1,772,030	3,361,325	5,094,079
— System integration business (the "SI Business")	590,141	905,760	1,945,437	3,665,925
— Investment, building and operating business (the "IBO Business")	407,982	866,270	1,415,888	1,428,154
Cost of sales	(861,757)	(1,363,597)	(2,699,447)	(4,281,566)
Gross profit	136,366	408,433	661,878	812,513
Profit/(loss) before tax	(345,469)	90,507	(316,199)	106,677
Profit/(loss) for the year attributable to owners of the Company	(327,704)	60,650	(316,852)	45,689

Financial performance for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021

As set out in the 2022 Annual Report, for the year ended 31 December 2022, the Group recorded revenue of approximately HK\$3,361.3 million, representing a decrease of approximately 34.0% as compared to approximately HK\$5,094.1 million recorded for the year ended 31 December 2021. Such decrease was mainly due to the decrease in revenue from the SI Business of approximately HK\$1,720.5 million, which was mainly attributable to (i) the absence of material contracts for the provision of construction services for large power station construction projects; and (ii) the decrease in revenue from sale of engine-based electricity generation units owing to fluctuations in foreign currency exchange rates and supply chain disruptions resulting from measures adopted by governments and the private sector to deal with COVID-19.

Gross profit decreased from approximately HK\$812.5 million for the year ended 31 December 2021 to approximately HK\$661.9 million for the year ended 31 December 2022, which was attributable to the decrease in revenue from the SI Business as set out in the preceding paragraph and the corresponding gross profit and the decrease in gross profit margin of the IBO Business from approximately 28.6% for the year ended 31 December 2021 to approximately 26.7% for the year ended 31 December 2022, mainly attributable to the increase in pass-through fuel cost in the IBO projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$316.9 million as compared with a profit attributable to owners of the Company of approximately HK\$45.7 million for the year ended 31 December 2021. Based on the 2022 Annual Report and as discussed with the Management, in addition to the fluctuations to the revenue and gross profit of the Company as set out in the preceding two paragraphs, the financial performance was also affected by losses from share of profits and losses of joint ventures in the amount of approximately HK\$198.7 million recorded by the Group for the year ended 31 December 2022 (which included a share of loss of approximately HK\$200.6 million attributable to CNTIC VPower JV), compared to profit from share of profits and losses of joint ventures in the amount of approximately HK\$9.4 million for the year ended 31 December 2021 (which included a share of profit of approximately HK\$6.4 million attributable to CNTIC VPower JV), and an increase in other expenses, net of approximately HK\$75.3 million. Other expenses, net mainly comprised foreign exchange loss emerged from the operations in Myanmar of approximately HK\$49.2 million and impairment of trade receivables of approximately HK\$75.5 million, mainly attributable to net effect of the expected credit loss (“ECL”) of multiple customers of the IBO Business which are independent third parties and an increase in exchange alignment. The assessment of ECL of each of the Group’s trade receivables related to its IBO Business was based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate, and in accordance with the applicable accounting standards.

Financial performance for the six months ended 30 June 2023 as compared to that for the six months ended 30 June 2022

As set out in the 2023 Interim Results Announcement, the Group recorded revenue of approximately HK\$998.1 million for the six months ended 30 June 2023, representing a decrease of approximately 43.7% as compared to approximately HK\$1,772.0 million recorded for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in revenue from (i) the SI Business, which was mainly attributable to the decline in sales orders received from customers in Southeast Asia resulted from the unfavourable market conditions; and (ii) the IBO Business, which was mainly attributable to the decline in contribution from projects in Myanmar of approximately HK\$141.4 million. It is noted that four of the Group’s five power stations in Myanmar had ceased operation after the expiration of the relevant contracts during the six months ended 30 June 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gross profit decreased from approximately HK\$408.4 million for the six months ended 30 June 2022 to approximately HK\$136.4 million for the six months ended 30 June 2023, which was attributable to (i) the decrease in revenue from the SI Business and IBO Business as set out in the preceding paragraph; and (ii) the decrease in the gross profit margin for the six months ended 30 June 2023, which was mainly attributable to (a) the scaling down of the business and operation in Myanmar under IBO Business which has a relatively high gross profit margin; and (b) the increased proportion of sales of engine-based electricity generation units of lower margin under SI Business.

For the six months ended 30 June 2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$327.7 million as compared with a profit attributable to owners of the Company of approximately HK\$60.7 million for the six months ended 30 June 2022. Based on the 2023 Interim Results Announcement and as discussed with the Management, in addition to the fluctuations to the revenue and gross profit of the Company as set out in the preceding two paragraphs, the financial performance was also affected by losses from share of profits and losses of joint ventures in the amount of approximately HK\$63.7 million recorded by the Group (which included a share of loss of approximately HK\$64.6 million attributable to CNTIC VPower JV), compared to loss from share of profits and losses of joint ventures in the amount of approximately HK\$9.8 million for the six months ended 30 June 2022 (which included a share of loss of approximately HK\$6.8 million attributable to CNTIC VPower JV), and an increase in other expenses, net of approximately HK\$48.1 million, which was primarily attributable to an increase in write-down of inventories to net realisable value.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the Group's consolidated statements of financial position

	As at 30 June	As at 31 December	
	2023	2022	2021
	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	4,182,033	4,361,305	5,372,439
— Property, plant and equipment	2,360,770	2,463,736	3,295,925
— Interests in joint ventures	1,633,851	1,736,089	1,746,121
— Right-of-use assets	97,644	101,509	116,611
— Other intangible assets	41,794	39,674	89,317
— Goodwill	—	—	81,489
— Deposits and other receivables	5,790	5,227	40,542
Current assets	4,093,141	4,550,023	4,976,878
— Trade and bills receivables	2,737,172	2,903,136	2,677,289
— Inventories	980,102	1,169,538	1,262,964
— Cash and cash equivalents	111,878	122,347	462,359
— Prepayments, deposits, other receivables and other assets	241,496	310,743	458,416
— Restricted cash	12,222	11,981	71,098
— Pledged deposits	4,288	22,996	38,725
Current liabilities	5,363,629	5,631,430	4,509,195
— Trade and bills payables	1,843,677	2,045,924	2,118,265
— Interest-bearing bank and other borrowings	2,889,146	2,921,234	1,831,703
— Other payables and accruals	494,133	409,732	377,251
— Contract liabilities	110,159	227,539	115,082
Non-current liabilities	96,500	139,841	2,307,675
— Interest-bearing bank and other borrowings	—	—	1,274,791
— Senior notes	—	—	721,223
— Other payables	—	40,738	148,863
— Lease liabilities	87,552	88,061	100,574
— Deferred tax liabilities	7,491	8,082	41,535
Total equity	<u>2,815,045</u>	<u>3,140,057</u>	<u>3,532,447</u>

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position as at 31 December 2022 as compared to that as at 31 December 2021

As at 31 December 2022, the Group's total assets amounted to approximately HK\$8,911.3 million, representing a decrease of approximately 13.9% as compared to approximately HK\$10,349.3 million as at 31 December 2021, which mainly comprised (i) trade and bills receivables of approximately HK\$2,903.1 million as compared to approximately HK\$2,677.3 million as at 31 December 2021; (ii) property, plant and equipment of approximately HK\$2,463.7 million as compared to approximately HK\$3,295.9 million as at 31 December 2021, such decrease was mainly attributable to the declassification of property, plant and equipment of two subsidiaries as a result of deconsolidation taken place in June 2022. Please refer to note 36 to the Group's consolidated financial statements as set out the 2022 Annual Report for further details; (iii) interests in joint ventures of approximately HK\$1,736.1 million (including carrying amount of the investment in CNTIC VPower JV of approximately HK\$716.2 million) as at 31 December 2022 as compared to approximately HK\$1,746.1 million (including carrying amount of the investment in CNTIC VPower JV of approximately HK\$913.1 million) as at 31 December 2021; (iv) inventories of approximately HK\$1,169.5 million as compared to approximately HK\$1,263.0 million as at 31 December 2021; (v) prepayments, deposits, other receivables and other assets of approximately HK\$310.7 million as compared to approximately HK\$458.4 million as at 31 December 2021; (vi) cash and cash equivalents of approximately HK\$122.3 million as compared to approximately HK\$462.4 million as at 31 December 2021, which was mainly attributable to the net effects of (a) cash generated from operations of approximately HK\$340.8 million; (b) net cash flows used in investing activities of approximately HK\$224.9 million; and (c) net cash flows used in financing activities of approximately HK\$424.0 million, details of the cashflow movements are set out in the consolidated statement of cash flows of the Group in the 2022 Annual Report; and (vii) right-of-use assets of approximately HK\$101.5 million as compared to approximately HK\$116.6 million as at 31 December 2021.

As at 31 December 2022, the Group's total liabilities amounted to approximately HK\$5,771.3 million, as compared to approximately HK\$6,816.9 million as at 31 December 2021, which primarily comprised (i) interest-bearing bank and other borrowings of approximately HK\$2,921.2 million as compared to approximately HK\$3,106.5 million as at 31 December 2021; (ii) trade and bills payables of approximately HK\$2,045.9 million as compared to approximately HK\$2,118.3 million as at 31 December 2021; (iii) other payables and accruals of approximately HK\$409.7 million as compared to approximately HK\$377.3 million as at 31 December 2021; (iv) contract liabilities of approximately HK\$227.5 million as compared to approximately HK\$115.1 million as at 31 December 2021; and (v) lease liabilities (non-current portion) of approximately HK\$88.1 million as compared to approximately HK\$100.6 million as at 31 December 2021.

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As at 31 December 2022, total equity of the Company amounted to approximately HK\$3,140.1 million, as compared to approximately HK\$3,532.4 million at 31 December 2021.

Financial position as at 30 June 2023 as compared to that as at 31 December 2022

As at 30 June 2023, the Group's total assets amounted to approximately HK\$8,275.2 million, representing a decrease of approximately 7.1% as compared to approximately HK\$8,911.3 million as at 31 December 2022, which mainly comprised (i) trade and bills receivables of approximately HK\$2,737.2 million as compared to approximately HK\$2,903.1 million as at 31 December 2022; (ii) property, plant and equipment of approximately HK\$2,360.8 million as compared to approximately HK\$2,463.7 million as at 31 December 2022; (iii) interests in joint ventures of approximately HK\$1,633.9 million (including carrying amount of the investment in CNTIC VPower JV of approximately HK\$651.9 million) as compared to approximately HK\$1,736.1 million (including carrying amount of the investment in CNTIC VPower JV of approximately HK\$716.2 million) as at 31 December 2022; (iv) inventories of approximately HK\$980.1 million as compared to approximately HK\$1,169.5 million as at 31 December 2022; (v) prepayments, deposits, other receivables and other assets of approximately HK\$241.5 million as compared to approximately HK\$310.7 million as at 31 December 2022; (vi) cash and cash equivalents of approximately HK\$111.9 million as compared to approximately HK\$122.3 million as at 31 December 2022; and (vii) right-of-use assets of approximately HK\$97.6 million as compared to approximately HK\$101.5 million as at 31 December 2022.

As at 30 June 2023, the Group's total liabilities amounted to approximately HK\$5,460.1 million, as compared to approximately HK\$5,771.3 million as at 31 December 2022, which primarily comprised (i) interest-bearing bank and other borrowings of approximately HK\$2,889.1 million as compared to approximately HK\$2,921.2 million as at 31 December 2022; (ii) trade and bills payables of approximately HK\$1,843.7 million as compared to approximately HK\$2,045.9 million as at 31 December 2022; (iii) other payables and accruals of approximately HK\$494.1 million as compared to approximately HK\$409.7 million as at 31 December 2022; (iv) contract liabilities of approximately HK\$110.2 million as compared to approximately HK\$227.5 million as at 31 December 2022; and (v) lease liabilities (non-current portion) of approximately HK\$87.6 million as compared to approximately HK\$88.1 million as at 31 December 2022.

As at 30 June 2023, total equity of the Company amounted to approximately HK\$2,815.0 million, as compared to approximately HK\$3,140.1 million as at 31 December 2022.

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2. Information on the Subscriber

The Subscriber is a company established under the laws of the PRC with limited liability and is indirectly wholly owned and managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (i.e. the Central SASAC). Its principal business includes, among other things, import and export of technology, goods and technical services, foreign contract projects and contract energy management. Headquartered in Beijing, up to the Latest Practicable Date, the Subscriber group has completed more than 7,500 major technical equipment import, international engineering contracting, complete equipment and technology export projects valued over USD120 billion. These projects cover energy, transportation, communication, petrochemical, metallurgical, building materials, machinery, electronics and pharmaceutical industries, agriculture, and forestry. As of the Latest Practicable Date, the sole executive director of the Subscriber is Mr. Lu Weijun (陸衛軍). For further details on Mr. Lu, please refer to the Letter from the Board.

3. Background of the Outstanding EPC Amount, the Capitalised EPC Amount and the Subcontractor EPC Contract

With reference to the Letter from the Board, in the second half of 2019, the Group and the Subscriber as a consortium submitted tenders to Electric Power Generation Enterprise, Ministry of Electricity and Energy of the Government of Myanmar, for, among other projects, the 400 MW Thaketa Project and won the bids. CNTIC VPower JV was then formed to execute the power projects awarded. CNTIC VPower JV (as the project owner of the 400 MW Thaketa Project), through its wholly-owned subsidiary, appointed a wholly-owned subsidiary of the Company, VH, which engages in the SI business and offers EPC services, as the head contractor for the said project. The contracting fee of VH as the head contractor is USD295,030,651 (equivalent to approximately HK\$2,301,239,078). To execute the project, VH and the Subscriber entered into the Subcontractor EPC Contract under which VH appointed the Subscriber as the sub-contractor.

With reference to the Letter from the Board, when CNTIC VPower JV was set up, it was expected that the power projects awarded would generate, on an annual basis, electricity of approximately 5.9 million MWh for revenue of approximately USD690 million (equivalent to approximately HK\$5,382 million) upon achievement of commercial operation to the fullest extent. However, the change in Myanmar's operating environment following political incidents in Myanmar in or around early February 2021 brought challenges to the operations of CNTIC VPower JV due to the adverse changes in the political, economic and social environments in Myanmar, such deterioration in the operating environment in Myanmar was beyond the Management's control and was not foreseeable at the time when the CNTIC VPower JV was established given the nature of the political incidents. Power generation was then scaled down and the operation of the 400MW Thaketa Project has been suspended entirely since the second half of 2021. CNTIC VPower JV recorded loss of HK\$401.16 million for the year ended 31 December 2022.

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In 2020, CNTIC VPower JV originally planned to obtain bridging loans from various banks in the aggregate principal amount of USD160 million (equivalent to approximately HK\$1,248 million) to USD200 million (equivalent to approximately HK\$1,560 million); and to obtain project financing from a bank in the principal amount of USD50 million (equivalent to approximately HK\$390 million) to USD70 million (equivalent to approximately HK\$546 million) and explored the issuance of senior notes in the principal amount of USD200 million (equivalent to approximately HK\$1,560 million) to USD300 million (equivalent to approximately HK\$2,340 million), to fund its capital expenditure, including that for the 400 MW Thaketa Project, and working capital. However, all these discussions and arrangements were discontinued after the occurrence of political incidents of Myanmar in February 2021 due to the financial institutions' concerns about the uncertainties in the political, economic and social environments in the country and the prospects of CNTIC VPower JV. Due to project suspension and inability to obtain further financing, CNTIC VPower JV has had difficulty to meet its outstanding payment obligations, including the outstanding contracting fee payable to VH.

The EPC services performed under the Subcontractor EPC Contract were completed in the fourth quarter of 2021 and the last stage payment in the sum of USD197,096,574.15 (equivalent to approximately HK\$1,537,353,000), i.e. the Outstanding EPC Amount, became payable to the Subscriber. As a substantial portion of the contracting fee payable by CNTIC VPower JV to VH remained outstanding and the Group's cash flow having regard to its reduced profits and tightened working capital in the past two years could not support VH's settlement of the Outstanding EPC Amount, such payment in its entirety remained outstanding as at the Latest Practicable Date, and the Group is obligated to settle the Outstanding EPC Amount under the Subcontractor EPC Contract, which is secured by the Guarantee.

It is noted that the Group had attempted to obtain a time extension for settlement of the Outstanding EPC Amount in early 2023, but did not come to an agreement with the Subscriber.

The Management considered that the settlement of such trade payables in the near future is likely to cause immense pressure on the Group's cash flow having regard to its financial position. Further details of the financial information of the Group are set out under the section headed "1. Background and Financial Information of the Group" in this letter above. It is also noted that the Subscriber can enforce its rights as creditor over the payment obligations of the Company pursuant to the Guarantee using legal means. On this basis, we considered that the settlement of the payment obligations through the Subscription is in the interests of the Company and Shareholders as a whole.

For further details on the background of the Outstanding EPC Amount, the Capitalised EPC Amount and the remaining unsettled portion of the Outstanding EPC Amount, please refer to the section headed "4. BACKGROUND OF THE OUTSTANDING EPC AMOUNT, THE CAPITALISED EPC AMOUNT AND THE SUBCONTRACTOR EPC CONTRACT" in the Letter from the Board.

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4. Reasons for and Benefits of the Subscription

As set out in the Letter from the Board, the Group is an experienced specialist of clean, fast-track, flexible and mobile distributed power which is well-positioned to capture the numerous business opportunities brought by energy transition. The Board expects that the Subscriber will facilitate the Group's business growth with its global reach and extensive business network.

In addition, the Directors also have considered factors including (i) the financial position and the liquidity of the Group; (ii) the expected benefits to the operations and reputation of the Group after the Subscriber, being a reputable state-owned enterprise with solid financial resources, becomes a controlling Shareholder upon the Completion, further details of the background of the Subscriber are set out under section headed "2. Information on the Subscriber" in this letter above; (iii) expected furtherance of business cooperation between the Group and the Subscriber after the Subscriber becomes a Shareholder; and (iv) the improvement of the Group's overall financial position as a result of the Subscription given that the Subscription Amount shall be satisfied in full by way of application of and offsetting the Capitalised EPC Amount.

As set out in the consolidated financial statements of the Group for the year ended 31 December 2022, the Group had total liabilities of approximately HK\$5,771.3 million, total current liabilities of approximately HK\$5,631.4 million and net current liabilities of approximately HK\$1,081.4 million. Upon the Completion, the Subscription will lower the Group's current liabilities by the Capitalised EPC Amount and improve the overall financial position of the Group.

Taking into account the above, in particular (i) the background of the Subscriber, being a reputable state-owned enterprise with established business network; (ii) the continue development of the business collaborations between the Group and the Subscriber, it is expected that as part of their business collaborations, the Subscriber and the Group may work together to provide one stop power solutions to customers from construction and development to operation and maintenance, fully utilising the expertise of two parties and that market intelligence of the energy sector can be exchanged between the parties to facilitate business growth in different regions, further details of which are set out in the paragraph headed "8. REASONS FOR THE SUBSCRIPTION" in the Letter from the Board; (iii) the latest published financial position of the Group as set out under section headed "1. Background and Financial Information of the Group" in this letter above; (iv) the Subscription shall improve the overall financial position of the Group; and (v) the Subscription indicates confidence of the Subscriber in the long-term prospects of the Group, we consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

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5. *Principal Terms of the Subscription*

Set out below are the principal terms and conditions of the Subscription Agreement, details of which are set out in the section headed “2. SUBSCRIPTION UNDER SPECIFIC MANDATE” in the Letter from the Board:

Issuer:	The Company
Subscriber:	China National Technical Import & Export Corporation
Warrantor:	Energy Garden
Class and par value of Subscription Shares to be issued:	Ordinary shares of the Company with a par value of HK\$0.10 each
Number of Subscription Shares to be issued:	3,290,457,511 new Shares will be issued, which represent (i) approximately 121.79% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 54.91% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares to be issued, with a par value of HK\$0.10 each, will be HK\$329,045,751.10.

The number of Subscription Shares was determined after arm’s length negotiation between the Company and the Subscriber after taking into account (i) Subscriber’s intention to acquire a controlling interest of the Company through the Subscription; (ii) the potential dilutive effect on the Shareholders if the entire Outstanding EPC Amount is converted into Shares; and (iii) the Subscription Amount which represents about 90% of the Outstanding EPC Amount such that a substantial portion of the Outstanding EPC Amount will be settled through the Subscription.

Subscription Price:	HK\$0.42 per Share, which represents: (i) a premium of approximately 7.69% over the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
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- (ii) a premium of approximately 2.44% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of 5.00% over the average closing price of HK\$0.40 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 7.69% over the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 63.79% to the audited consolidated net asset per Share of approximately HK\$1.16 as at 31 December 2022; and
- (vi) a discount of approximately 59.62% to the unaudited consolidated net asset per Share of approximately HK\$1.04 as at 30 June 2023.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber after taking into account (i) the audited consolidated financial statements of the Group for the year ended 31 December 2022, including the net asset and net current liabilities; (ii) the recent trading prices of the Shares and the trading volume; (iii) the expected shareholding of the Subscriber in the Company and the Subscriber becoming the controlling Shareholder upon the Completion; and (iv) the potential synergies arising from the cooperation between the Company and the Subscriber, as detailed in the paragraph headed "8. Reasons for the Subscription" in the Letter from the Board.

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Expected proceeds from the Subscription:	The Subscription Amount in the sum of HK\$1,381,992,155 will be satisfied in full by way of application of and offsetting the Capitalised EPC Amount (being the agreed part of the Outstanding EPC Amount to be offset through the Subscription), no cash proceeds will be received by the Company from the Subscription. On the basis of the Capitalised EPC Amount, the estimated net subscription price for each Subscription Share will be approximately HK\$0.42.
Ranking of the Subscription Shares:	The Subscription Shares will rank <i>pari passu</i> in all respects with the existing Shares in issue, including the right to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Shares in their fully-paid form.
Application for listing of the Subscription Shares to be issued:	Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Further information on the Subscription

No lock-up period restriction is imposed for the Subscription Shares.

The issue of the Subscription Shares shall be subject to (i) the fulfilment (or waiver, where applicable) of conditions precedent; and (ii) the Subscription Agreement not having been terminated prior to the Completion in accordance with the terms therein.

Conditions precedent of the Subscription

The Completion shall be subject to the fulfilment (or waiver, where applicable) of the following conditions precedent:

- (i) from the date of the Subscription Agreement and up to the Completion Date, there shall not have occurred any suspension or limitation of trading in any of the Shares on the Stock Exchange (save and except for any trading halt in relation to the Subscription and placing of Public Float Shares (if any), and trading halts for the sole purpose of the Company announcing inside information with such trading halt being lifted by the next Business Day after the publication of the relevant announcement and no more than five trading days in duration for each occurrence);

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- (ii) all consents and/or waivers and/or agreements on (i) time extension for prepayment or repayment, endorsements, confirmation on transitional arrangements from lenders who have extended financing to the Group; and (ii) change of control clause, the consents of which are required under the relevant financing documents for the purpose of implementing the Subscription, having been obtained and remaining in full force and effect;
- (iii) there has been no petition filed, order made or effective resolution passed for the bankruptcy, liquidation or winding up of the Company, the Warrantor or any other Group Company that is a principal subsidiary of the Company in the annual report of the Company for the year ended 31 December 2022;
- (iv) the Company having obtained approvals from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and Public Float Shares, such approvals remaining valid and conditions for such approvals remaining satisfied up to the Completion;
- (v) the Executive having granted the Whitewash Waiver and all conditions prescribed for the grant of the Whitewash Waiver having been satisfied, and the Whitewash Waiver not having been subsequently revoked or withdrawn;
- (vi) the Subscriber having obtained (or completed, as the case may be) all of the approvals, consents, filings and/or registration with respect to the Subscription legally required from its sole executive director, its ultimate controller, and the competent governmental authorities having jurisdiction over the Subscriber, including (a) as a state-owned enterprise, the approval of the competent state-owned assets supervision and administration authority (i.e. Central SASAC) with respect to the Subscription and completion of the state-owned assets appraisal or valuation and filing procedures, in accordance with the PRC laws; and (b) as a PRC company, the completion of relevant overseas direct investment approval/filing procedures with the National Development and Reform Commission of the PRC, the Ministry of Commerce of the PRC and the State Administration of Foreign Exchange or its competent local bureau or one of its designated banks in the PRC with respect to the Subscription, in accordance with the PRC laws;
- (vii) the necessary resolutions to be set out in the notice of EGM having been duly approved by the Board, Shareholders and the Independent Shareholders (as the case may be), with such resolutions not having been revoked or vitiated;
- (viii) the representations and warranties given by the Company and the Warrantor in the Subscription Agreement remaining true, accurate and complete in all material respects and not misleading from the date of the Subscription

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Agreement up to the Completion Date, and where there are breaches prior to the Completion, such breaches having been remedied to the Subscriber's reasonable satisfaction;

- (ix) the undertakings made by the Company and the Warrantor having been complied with from the date of the Subscription Agreement up to the Completion Date; and
- (x) the arrangements that will be put in place to issue the Public Float Shares to Independent Third Parties and parties not acting in concert with the Subscriber (the "**Public Float Arrangements**") remaining legally binding and valid, and not terminated in accordance with its/their terms, and the only condition (if any) remaining outstanding for the Public Float Arrangements being completion of the Subscription.

With regard to condition (x), the Company has entered into the Placing Agreement with the Placing Agent to implement the issue of Public Float Shares. For details, please refer to the paragraph headed "11. PROPOSED PLACING AND ISSUE OF PUBLIC FLOAT SHARES UNDER SPECIFIC MANDATE" in the Letter from the Board.

Save for conditions (i) to (iii), (viii) and (ix) which may be waived by the Subscriber, none of the above conditions may be waived by any party to the Subscription Agreement and therefore, if any conditions above cannot be satisfied (or waived, where applicable) on or before the Long Stop Date (including but not limited to, if the Whitewash Waiver is not granted or approved as per condition (v) above) and the Long Stop Date is not extended, the Subscription will not proceed.

The long stop date under the Subscription Agreement was originally agreed to be three months after the date of the Subscription Agreement (i.e. 12 September 2023) . In view of the latest status of the Subscription including the expected time required for the fulfilment of the conditions precedent of the Subscription, the Company, the Subscriber, VH and the Warrantor entered into the Supplemental Subscription Agreement to extend the long stop date to 30 September 2023 (or such other date as mutually agreed in writing between the Company and the Subscriber).

Save for the extension of the long stop date under the Subscription Agreement, all other terms and conditions of the Subscription Agreement remain unchanged and in full force and effect in all respects.

As at the Latest Practicable Date, there was no breach of conditions (i), (iii), (viii), (ix) and (x) and none of the conditions had been satisfied (or waived, where applicable).

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Completion of the Subscription

Completion of the Subscription Agreement will take place on the Completion Date, and simultaneously with the completion of the issue of the Public Float Shares to Independent Third Parties and parties not acting in concert with the Subscriber.

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 “2. SUBSCRIPTION UNDER SPECIFIC MANDATE” in the Letter from the Board.

6. *Equity Fund Raising Activities of the Company in the Past 12 Months*

As set out in the Letter from the Board, except for the proposed issue of the Public Float Shares, the Company has not conducted any equity fund raising activities in the past 12 months period immediately preceding the Latest Practicable Date.

7. *Analysis on the Subscription Price*

The Subscription Price of HK\$0.42 per Subscription Share represents:

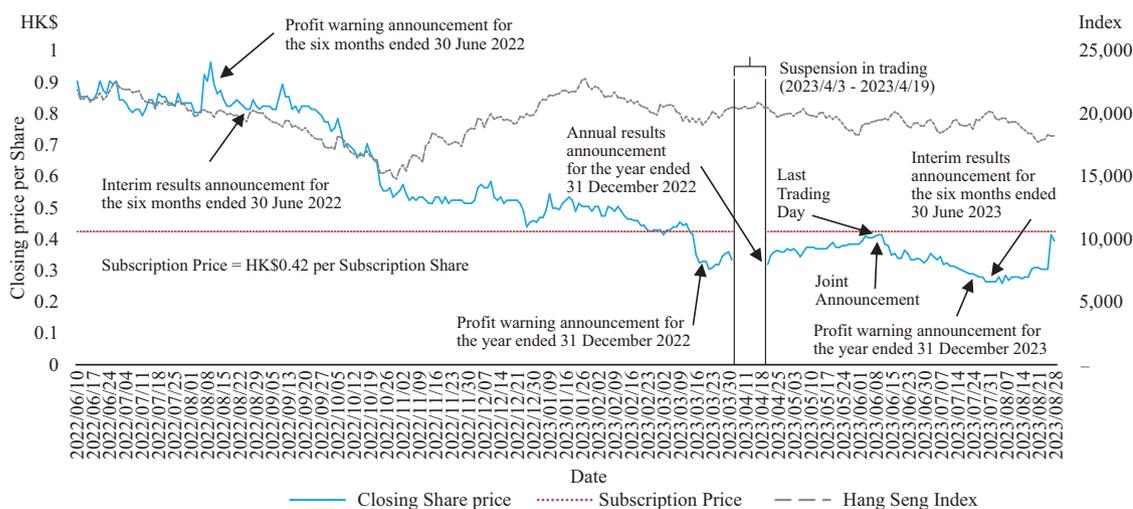
- (i) a premium of approximately 7.69% over the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 2.44% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of 5.00% over the average closing price of HK\$0.40 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 7.69% over the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 63.79% to the audited consolidated net asset per Share of approximately HK\$1.16 as at 31 December 2022; and
- (vi) a discount of approximately 59.62% to the unaudited consolidated net asset per Share of approximately HK\$1.04 as at 30 June 2023.

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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 Last Trading Day, from 10 June 2022 up to and including the Last Trading Day (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 12 June 2023, being the trading day immediately after the Last Trading Day 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.

(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)

Note: During the Review Period, the trading in the Shares had been halted on 3 April 2023 and was resumed on 20 April 2023.

Since the commencement of the First Review Period and up to the end of September 2022, the closing Share prices were broadly stable and fell within the range of HK\$0.74 (30 September 2022) to HK\$0.96 (9 August 2022). However, the closing Share price experienced a general decline since the beginning of October 2022 from HK\$0.75 (3 October 2022) to below HK\$0.5 towards the end of December 2022. During the aforesaid period in 2022, namely from the commencement of the First Review Period up

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to the end of September 2022, the Company issued (a) a profit warning announcement for the six months ended 30 June 2022 dated 12 August 2022; and (b) the interim results announcement for the six months ended 30 June 2022 dated 25 August 2022, which reported a profit attributable to owners of the Company of approximately HK\$60.7 million for the six months ended 30 June 2022 compared to approximately HK\$198.0 million for the six months ended 30 June 2021.

During the period commencing from 1 January 2023 up to and including the Last Trading Day (i.e. 9 June 2023), we noted that the Company issued a profit warning announcement for the year ended 31 December 2022 on 21 March 2023 and that the trading of the Shares was suspended from 3 April 2023 up to and including 19 April 2023 (the “**Suspension Period**”), pending the release of the consolidated annual results of the Group for the year ended 31 December 2022. The closing Share prices between 3 January 2023 and 31 March 2023 (i.e. prior to the Suspension Period) ranged from HK\$0.30 (22 March 2023) to HK\$0.54 (9 January 2023) and subsequent to the resumption of trading of the Shares on 20 April 2023 following the publication of the Group’s annual results announcement on 19 April 2023, and up to the Last Trading Day, the closing Share price ranged from HK\$0.315 (20 April 2023) to HK\$0.41 (9 June 2023).

In summary, the Subscription Price of HK\$0.42 is (a) within range of the closing Share price during the First Review Period between HK\$0.30 and HK\$0.96; (b) at a premium over the closing Share price as at the Last Trading Day; 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 Last Trading Day of approximately HK\$0.40, approximately HK\$0.39, approximately HK\$0.37 and approximately HK\$0.37 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. It is noted that since the commencement of the First Review Period and up to the end of February 2023, most of the closing prices of the Shares were higher than the Subscription Price. The general downward trend of the closing prices of the Shares since around the fourth quarter of 2022 up to the Last Trading Day and the Latest Practicable Date as well as the average closing price of approximately HK\$0.54 per Share as quoted on the Stock Exchange during the Review Period, which is at a premium over the Subscription Price, may be attributable to the then market reactions to the published financial and operational information of the Group given the closing prices of the Shares should reflect the publicly available information of the Group and the prevailing market conditions at the material time.

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In this connection, we considered that the more recent the closing prices of the Shares are to the date of the Subscription Agreement (i.e. the five, ten and 30 consecutive trading days immediately prior to the Last Trading Day), the more relevant it would be for our assessment of the fairness and reasonableness of 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 Last Trading Day, 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.

We also reviewed the trend of the closing prices of the Shares during the Review Period and compared it against the trend of the Hang Seng Index during the same timeframe and noted that closing prices of the Shares generally underperformed the Hang Seng Index since November 2022 and up to the Last Trading Day.

For the Second Review Period, the closing Share price ranged from HK\$0.255 (4 August 2023) to HK\$0.41 (12 June 2023 and 25 August 2023). It is noted that the fluctuations of the closing Share price during the Second Review Period may be affected by the market reactions in response to the Subscription and the Whitewash Waiver as set out in the Joint 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 during the First Review Period.

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(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) the monthly trading volume of Shares; (b) the average daily trading volume of Shares of each month; (c) the average daily trading volume as a percentage of the then total number of Shares issued of each month; and (d) the average daily trading volume as a percentage of the total number of Shares in public hands 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 ^(Note 1) <i>Approximate percentage (rounded to 3 decimal places)</i>	Average daily trading volume as a percentage of the then total number of Shares held by public Shareholders ^(Note 2,3) <i>Approximate percentage (rounded to 3 decimal places)</i>
	<i>Number of Shares</i>	<i>Days</i>	<i>Number of Shares</i>		
First Review Period					
2022					
June (commenced from 10 June 2022)	64,242,019	15	4,282,801	0.159%	0.437%
July	78,585,080	20	3,929,254	0.145%	0.401%
August	121,369,000	23	5,276,913	0.195%	0.539%
September	71,609,123	21	3,409,958	0.126%	0.348%
October	26,251,484	20	1,312,574	0.049%	0.134%
November	17,675,529	22	803,433	0.030%	0.082%
December	16,009,461	20	800,473	0.030%	0.082%
2023					
January	17,192,000	18	955,111	0.035%	0.097%
February	15,085,988	20	754,299	0.028%	0.077%
March	23,368,971	23	1,016,042	0.038%	0.104%
April ^(Note 4)	12,291,000	7	1,755,857	0.065%	0.179%
May	7,099,000	21	338,048	0.013%	0.035%
June (up to and including the Last Trading Day, i.e. 9 June 2023)	1,267,000	7	181,000	0.007%	0.018%
Second Review Period					
June (commenced from 12 June 2023)	4,140,699	14	295,764	0.011%	0.030%
July	8,181,000	20	409,050	0.015%	0.042%
August (up to and including the Latest Practicable Date, i.e. 28 August 2023)	20,350,114	20	1,017,506	0.038%	0.104%
Average				0.062%	0.169%
Maximum				0.195%	0.539%
Minimum				0.007%	0.018%

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

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Notes:

- (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.*
- (3) *For the avoidance of doubt, save for the shareholding table as set out under the paragraph headed “9. Effect on the Shareholding Interests of the Public Shareholders” in this letter, Shares held by the public shareholders as at the Latest Practicable Date (the “**Shares Held By Public Shareholders**”) shall represent Shares not held by Energy Garden, Classic Legend, Jet Lion, Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason, Mr. Lo Siu Yuen, and six directors of certain subsidiaries of the Company comprising (i) Mr. Chan Yat Chor; (ii) Mr. Liu Boyang; (iii) Mr. Yip Ming Wai; (iv) Mr. Tam Hau Shing; (v) Mr. Tang Wenlong; and (vi) Ms. Liang Hongyao, all being core connected persons (as defined under the Listing Rules) of the Company and accordingly not considered as public Shareholders under Rule 8.24 of the Listing Rules, which represented approximately 36.27% of the issued share capital of the Company as at the Latest Practicable Date.*
- (4) *During the Review Period, the trading in the Shares had been halted since 3 April 2023 and was resumed on 20 April 2023.*

As set out in the table above, the average daily trading volume of the Shares ranged from approximately 181,000 Shares (June 2023 (up to and including the Last Trading Day)) to approximately 5,276,913 Shares (August 2022) during the Review Period, the low-end and high-end of the range respectively represent an average daily trading volume of approximately 0.007% (June 2023 (up to and including the Last Trading Day)) to 0.195% (August 2022) of the then total number of Shares in issue, and approximately 0.018% to 0.539% 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.

Given the relatively low trading volume, in particular, during the recent period of the first six months of 2023 (up to the Last Trading Day), potential equity investors may be concerned that disposal of large block of Shares in the open market may trigger a notable decline in the price of the Shares, and therefore would likely to demand a notable discount on the issue price of any sizeable equity financing alternatives that the Company may undertake in the absence of the Subscription, such as placement of new Shares, rights issue or open offer.

(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.

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As far as debt financing is concerned, we noted that since early 2022 and up to the entering into of the Subscription Agreement, the Group took steps to request four existing financial institutions to upsize their banking facilities granted to the Group, and also made efforts on obtaining new credit facilities from other banks and financial institutes, however, such steps and efforts were not successful mainly due to the Group's reduced profits and tightened cash flow in the past two years. In addition, further increases in finance costs associated with increased debt may adversely affect the Group's future profitability.

As far as equity financing is concerned, we noted that the Company explored possible equity financing with various financial institutions in 2022. However, due to the economic slowdown and challenging market sentiment at the material time, as well as the performance of the then share prices of the Company and market concerns about the Group's exposure in Myanmar, no substantive progress for raising funds through equity financing had been noted prior to the Subscription.

(iv) *Analysis on transactions which involved the issuance of shares under specific mandate and whitewash waiver, for the settlement of indebtedness*

Having considered the background of the Subscription, including that the Subscription Shares will be allotted and issued under Specific Mandate as well as that a whitewash waiver is proposed to be sought from the Independent Shareholders at the EGM, 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 for loan capitalisation, placing and/or subscription of new shares with 50% or more of the proceeds being applied towards the settlement of indebtedness, given that the Subscription is implemented for the fulfillment of payment obligations; and (bb) whitewash waiver;
- (b) the announcement(s) or circular in relation to subject transactions as set out under paragraph (a) above is published by a company listed on the Main Board, during the period commencing from six months prior to the Last Trading Day (i.e. 10 December 2022) and up to and including the Last Trading Day (i.e. 9 June 2023) (the “**Initial Comparable Review Period**”), excluding listed companies that were under prolonged suspension in trading after the announcement of the subject transaction;

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- (c) companies with a single class of listed shares, thereby excluding companies with dual listings and/or having both listed A Shares and H Shares, as the trading price of its different classes of shares may be different from time to time; and
- (d) the subject transaction has obtained the relevant independent shareholders' approval.

Based on the Initial Share Issuance Criteria, we have identified three 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 and including the Last trading Day, namely, from 10 June 2021 up to and including the Last Trading Day (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 six share issuances (the “**Share Issuance Comparables**”).

We noted that the Share Issuance Comparables may be undertaken by listed companies with different background, business nature, financial performance, financial position and size, with the subscription amount ranging from approximately HK\$110.0 million to approximately HK\$4,685.2 million. However, as no transactions are identical in all material aspects and the Share Issuance Comparables have been selected based on the Final Share Issuance Criteria which are determined based on the key characteristics of the Subscription, namely the issuance of shares under specific mandate with a whitewash application for the settlement of indebtedness, 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

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under specific mandates with whitewash waiver for the settlement of indebtedness for the purpose of our analysis. We have set out our analysis in the following table:

Company name (stock code)	Date of announcement/ circular	Nature of transaction and size of fund raised	Principal business	Premium/(Discount) of subscription price over/to			Maximum dilution effect to the existing public shareholders attributable to the subject subscription agreement (Note 2) (approximate percentage point)	
				the average closing price the last trading day as per the relevant announcement	the average closing price per share for the last five trading days immediately prior to the last trading day (Note 1)	the average closing price per share for the last ten trading days immediately prior to the last trading day (Note 1)		
Energy International Investments Holdings Limited ("Energy International") (353)	28 April 2023, 28 July 2023	Transactions included subscription of new shares under specific mandate pursuant to the subject subscription agreement for approximately HK\$149.8 million and a whitewash waiver, with all of the net proceeds being applied towards the settlement of Energy International's debts and liabilities	Principal activities include oil and liquefied chemical terminal (together with its storage and logistics facilities) and the provision of agency services and trading of oil and liquefied chemical products in the PRC, and insurance brokerage service in Hong Kong	(5.50)	(8.40)	(7.60)	(32.25)	23.35
Honghua Group Limited ("Honghua") (196)	18 January 2023, 23 March 2023	Transactions included subscription of new shares under specific mandate pursuant to the subject subscription agreement for HK\$1.02 billion and a whitewash waiver, with approximately 57% of the net proceeds being applied towards the repayment of interest-bearing borrowings of Honghua	Mainly engaged in the research and development, design and manufacturing of oil drilling rigs, offshore engineering and oil exploration and development equipment, manufacturing and general assembly of large-scale equipment and provision of oil drilling engineering services.	(1.71)	(3.28)	(1.71)	4.68	19.47 (Note 3)
Beijing Gas Blue Sky Holdings Limited (6828) ("Beijing Gas")	26 September 2022, 31 October 2022	Transactions included subscription of new shares under specific mandate pursuant to the subject share subscription agreement for HK\$500 million and a whitewash waiver, with over 90% of the net proceeds being applied towards the repayment of bank borrowings, corporate bonds and other borrowings of Beijing Gas	An integrated natural gas provider and distributor that offers innovative and diversified clean energy solution in the PRC.	(23.81)	(31.03)	(31.62)	(29.20)	19.13 (Note 3)
Fullsun International Holdings Group Co., Limited ("Fullsun") (627)	13 September 2022, 23 June 2023	Transactions included subscription of new shares under specific mandate pursuant to the subject subscription agreement for approximately HK\$168 million and a whitewash waiver, with all of the net proceeds being applied towards the settlement of Fullsun's debts and liabilities	Principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.	(93.58)	(92.16)	(92.31)	(92.05)	40.06
Shandong Hi-Speed New Energy Group Limited ("SDHS") (formerly known as Beijing Enterprises Clean Energy Group Limited) (1250)	14 March 2022, 1 April 2022	Transactions included subscription of new shares under specific mandate pursuant to the subject subscription agreement for approximately HK\$4.7 billion and a whitewash waiver, with approximately 74% of the net proceeds being applied towards the repayment of various indebtedness	Principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC.	(7.69)	(7.69)	(6.80)	(4.95)	17.50 (Note 4)

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- (3) *The maximum dilution effect to the existing public shareholders solely takes into account the dilution effects of the transaction which involved the issuance of new shares under specific mandate and whitewash waiver, a major of the net proceeds of which are applied towards the repayment of indebtedness of the subject listed company.*
- (4) *Public shareholders included Tuspark Technology Innovation Ltd. with a shareholding interest of approximately 6.37% as at the date of the subject transaction announcement.*
- (5) *The minimum of the range is represented by, where applicable, the smallest discount or the largest premium of the subscription price to the relevant closing price(s) of the shares. The maximum of the range is represented by the largest discount of the subscription price to the relevant closing price(s) of the shares.*
- (6) *For the purpose of this analysis, maximum dilution effect to the existing public shareholders of the Company is calculated based on Shares Held By Public Shareholders, which in aggregate was interested in approximately 36.27% of the issued share capital of the Company as at the Latest Practicable Date. Such shareholding percentage held by public Shareholders of approximately 36.27% would be diluted to approximately 14.51% after the Completion and the issue of the Public Float Shares.*

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 93.58% to a discount of approximately 1.71% to the respective closing prices of the shares of relevant companies on the last trading day as set out in the relevant transaction announcement, with an average and median of discount of approximately 35.63% and 15.75%, respectively;
- (b) a discount of approximately 92.16% to a discount of approximately 3.28% to the average closing prices of the shares of relevant companies on the last five (5) consecutive trading days immediately prior to the last trading day as set out in the relevant transaction announcement, with an average and median of discount of approximately 36.60% and 19.72%, respectively;
- (c) a discount of approximately 92.31% to a discount of approximately 1.71% to the average closing prices of the shares of relevant shares on the last ten (10) consecutive trading days immediately prior to the last trading day as set out in the relevant transaction announcement, with an average and median of discount of approximately 35.91% and 19.61%, respectively; and
- (d) a discount of approximately 92.05% to a premium of approximately 4.68% to/over the average closing prices of the shares of relevant shares on the last thirty (30) consecutive trading days immediately prior to the last trading day as set out in the relevant transaction announcement, with an average and median of discount of approximately 38.24% and 30.73%, respectively.

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We further noted that the maximum dilution effect to public shareholders in percentage points under the Share Issuance Comparables ranged from approximately 57.16 percentage points to 17.50 percentage points, with an average and median of approximately 29.45 percentage points and 21.41 percentage points, respectively.

Based on the foregoing analysis and given that the Subscription Price represents (a) a premium of approximately 2.44% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Last Trading Day; (b) a premium of approximately 5.00% over the average closing price of approximately HK\$0.40 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; (c) a premium of approximately 7.69% over the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day; and (d) a premium of approximately 13.51% over the average closing price of approximately HK\$0.37 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the Last Trading Day, each of the premium of the Subscription Price set out under (a) to (d) above over different reference closing prices exceeded the top range of the corresponding discount/premium of the Share Issuance Comparables. Furthermore, the dilution effect to the public shareholders as a result of the Subscription and issue of the Public Float Shares of approximately 21.76 percentage points is also within the range of dilution effect to the public shareholders under the Share Issuance Comparables from approximately 57.16 percentage points to 17.50 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 to further supplement 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. However, as the Group recorded a loss attributable to its owners for the year ended 31 December 2022, P/E Ratio analysis is not applicable. On this basis, as an alternative to the P/E Ratio analysis and with a view to providing more tailored analysis for loss making companies, we have included the price-to-sales ratio (the “**P/S Ratio**”), being a valuation benchmark for loss-making companies, as part of our analysis.

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In this connection, having considered the principal businesses of the Group and the market capitalisation of the Company as at the Last Trading Day, 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 Joint Announcement, excluding listed companies whose shares are suspended in trading as at the date of the Joint Announcement; (b) with a view to avoid undue distortions to the P/S Ratio given it is sensitive to the size of the revenue of the subject companies, revenue of the selected listed companies should not be less than HK\$1.7 billion given the Group recorded a revenue of (aa) approximately HK\$3.4 billion for the year ended 31 December 2022; and (bb) approximately HK\$2.6 billion for the trailing 12-months ended 30 June 2023, and the selected listed companies generated over 50% of the total revenue from provision of power solutions, energy and heat generation, transmission, supply and/or distribution, or operation, manufacturing/construction of the relevant generation facilities for the latest completed financial year; and (c) based on the closing share price on the Last Trading Day, their market capitalisation being not less than HK\$600.0 million and not more than HK\$1.6 billion, as compared to the Implied Market Capitalisation (defined as below) of approximately HK\$1.1 billion (together the “**Initial Comparable Companies Criteria**”).

However, given the business of the Group is niche in nature, only two market comparables were identified based on the Initial Comparable Companies Criteria. With a view to ensure that the identified market comparables are representative and of a larger sample size to minimise any undue distortions to our analysis, which will be more sensitive for smaller sample sizes, we have expanded the Initial Comparable Companies Criteria (b) to include comparable companies with a revenue of not less than HK\$1.2 billion for its latest complete financial year, the Initial Comparable Companies Criteria (c) to a market capitalisation of not less than HK\$200.0 million and not more than HK\$2.0 billion based on the closing share price on the Last Trading Day, while keeping the other criteria the same (together the “**Final Comparable Companies Criteria**”). Although we have also considered to further adjust the revenue criteria by lowering the proportion of revenue generated from similar businesses in which the Group engages, given the fact that the Company derived its entire revenue from the provision of power solutions, energy and heat generation, transmission, supply and/or distribution, or operation, manufacturing/construction of the relevant generation facilities for the latest complete financial year, the lowering of the revenue threshold of 50% would make any comparison against the comparable companies less relevant and there may be undue distortions as the lowering of threshold may include listed companies which derived majority of their revenue from businesses and/or activities which are not similar to that of the Group’s. We considered that the market comparables identified based on the Final Comparable Companies Criteria are more representative of the market as a whole and thus providing the Independent Shareholders with a better suited analysis.

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

Company name (stock code)	Principal business	Market Capitalisation (Note 1) (HK\$’million)	P/B Ratio (Note 1) (times)	P/S Ratio (Note 1) (times)
Capital Environment Holdings Limited (“ Capital Environment ”) (3989)	Provision of waste treatment technologies and services which specialises in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects	1,886.9	0.24	0.24
China Nuclear Energy Technology Corporation Limited (“ China Nuclear Energy ”) (611)	Provision of engineering, procurement and construction and consultancy and general construction services, power generation and financing services	722.3	0.39	0.30
Jilin Province Chuncheng Heating Company Limited (“ Chuncheng Heating ”) (1853)	Heat supply business as well as pipelines construction, maintenance services and heating engineering design services	840.1	0.81	0.49
Sichuan Energy Investment Development Co., Ltd. (“ Sichuan Energy ”) (1713)	Engaged in general power supply business, incremental power transmission and distribution business, and electrical engineering construction service and related business	443.5	0.14	0.13
	Maximum		0.81	0.49
	Minimum		0.14	0.13
	Average		0.39	0.32
	Median		0.32	0.32
	The Company	1,134.7 (Note 2)	0.40 (Note 3)	0.34–0.44 (Note 3)

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Notes:

- (1) *For illustration purposes, the market capitalisation of the Market Comparables is calculated based on their respective closing share price as at the Last Trading Day and the total number of issued shares based on the then latest monthly return of the subject listed company published on the website of the Stock Exchange. As for the calculation of the P/B Ratio and the P/S Ratio of the Market Comparables, the ratios are calculated based on their respective closing share price as at the Latest Practicable Date.*
- (2) *The implied market capitalisation of the Company of approximately HK\$1,134.7 million under the Subscription (the “**Implied Market Capitalisation**”), is calculated based on the Subscription Price of HK\$0.42 per Subscription Share and the total number of issued Shares as at the Last Trading Day.*
- (3) *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 2023. The implied P/S Ratio of the Company is calculated based on the Implied Market Capitalisation and the revenue of the Group for the year ended 31 December 2022 (the “**Implied FY2022 P/S Ratio**”) and for the trailing 12-months ended 30 June 2023 (the “**Implied TTM P/S Ratio**”), respectively. The implied P/S Ratio calculated based on the trailing 12 months ended 30 June 2023 is included for information purposes only as the Group’s financial performance for the trailing 12-months ended 30 June 2023 was not available as at the date of the Subscription Agreement.*

As shown in the table above, the P/B Ratio of the Market Comparables ranged from approximately 0.14 times to approximately 0.81 times. In this connection, the closing price of the shares of the subject Market Comparables represent a discount to the latest published net asset value per share ranged from approximately 19% to 86%, of which the discount of approximately 63.79% under the Subscription is within the range of. It is also noted that the average P/B Ratio of the Market Comparables was approximately 0.39 times with a median of approximately 0.32 times.

The implied P/B Ratio of the Company under the Subscription, calculated based on the Implied Market Capitalisation, being approximately 0.40 times, is broadly in line with 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 Subscription is within range of the P/B Ratio of the Market Comparables. In this connection, we have primarily taken into consideration the fact that the implied P/B Ratio under the Subscription is broadly in line with the average and above the median of the P/B Ratio of the Market Comparables.

As shown in the table above, the P/S Ratio of the Market Comparables ranged from approximately 0.13 times to approximately 0.49 times with an average of approximately 0.32 times and a median of approximately 0.32 times.

The Implied FY2022 P/S Ratio of the Company under the Subscription, calculated based on the Implied Market Capitalisation, being approximately 0.34 times, is within range of the P/S Ratio of the Market Comparables, and broadly in line with the average of approximately 0.32 times and the median of approximately 0.32 times. In addition, we

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noted that the Implied TTM P/S Ratio of the Company under the Subscription is approximately 0.44 times, which is within range of the P/S Ratio of the Market Comparables, and above the average of approximately 0.32 times and the median of approximately 0.32 times.

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

(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 Subscription as set out under section headed “4. Reasons for and Benefits of the 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 Last Trading Day, premium over the average closing price of the Shares for five consecutive trading days immediately prior to the Last Trading Day, premium over the average closing price of the Shares for ten consecutive trading days immediately prior to the Last Trading Day, and premium over the average closing price of the Shares for 30 consecutive trading days immediately prior to the Last Trading Day, although the Subscription Price represents a discount to the net asset value per Share, but the implied P/B Ratio is within the range and broadly in line with 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.

8. *Expected Financial Effects of the Subscription*

(i) *Effect on total liabilities and net assets*

With reference to the 2023 Interim Results Announcement, the total liabilities and net assets of the Group as at 30 June 2023 were approximately HK\$5,460.1 million and HK\$2,815.0 million, respectively. On the basis that the Group has not incurred new borrowings and no other settlement has been made on the Group’s liabilities since 1 July 2023 and up to the date of the Completion, the Group’s total liabilities will be decreased by the Capitalised EPC Amount upon the Completion. On this basis, net assets of the Group will also be enhanced by the amount of the Capitalised EPC Amount. We consider that the Subscription will result in an overall improvement on the Group’s net assets position.

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Based on the issuance of 3,290,457,511 Subscription Shares, but without taking into account the effects of the Public Float Shares to be issued and assuming that there is no other changes in the number of issued Shares, the net assets of the Company will correspondingly increase by the total payable amount settled and the net unaudited asset value per Share as at 30 June 2023 should decrease from approximately HK\$1.04 to approximately HK\$0.7.

(ii) *Effect on net gearing ratio*

Based on the 2023 Interim Results Announcement, the net gearing ratio of the Group, calculated based on the percentage of total borrowings less cash and cash equivalents, restricted cash and pledged deposits to total equity, was approximately 98.1% as at 30 June 2023. Upon the Completion and on the basis that there will be no change in the other financial items other than the direct effects of the Subscription and the issuance of the Public Float Shares on the financial position of the Group, the net gearing ratio of the Group is expected to improve accordingly as the total liabilities of the Group would decrease by the Capitalised EPC Amount and the total equity of the Group will be enlarged by the allotment and issue of the Subscription Shares and Public Float Shares. The Management advised that, based on total borrowings less cash and cash equivalents, restricted cash and pledged deposits to total equity of the Company as at 30 June 2023 and less the Capitalised EPC Amount, the net gearing ratio of the Group, solely attributable to the effects of the Subscription but not taken into account the effects of the Public Float Shares to be issued and assuming that there is no other changes, would be approximately 65.8% after the Subscription.

(iii) *Effect on working capital*

The Capitalised EPC Amount will be settled by offsetting the Subscription Amount in full without incurring any cash outflow by the Group, therefore, the capitalisation of the Capitalised EPC Amount would enable the Group to free up cash, which would otherwise be used for the settlement of the Capitalised EPC Amount, for its general working capital, for repayment of other borrowings and/or development of its business without affecting the working capital of the Group. Accordingly, the Group will have the flexibility to deploy resources, which would otherwise be applied on the settlement of the Capitalised EPC Amount in the absence of the Subscription.

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 Subscription would have a positive impact on the Group's net assets position, net gearing ratio and working capital. On this basis, we are of the view that the Subscription is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

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9. Effect on the Shareholding Interests of the Public Shareholders

As set out in the Letter from the Board, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion and the issue of the 691,000,000 Shares under the Placing; and (iii) immediately after Completion and the issue of the 760,000,000 Shares under the Placing (assuming there is no change in the total issued share capital of the Company since the Latest Practicable Date and up to the Completion and the completion of the Placing save for the issue of the Subscription Shares and the Public Float Shares) is as follow:

	As at the Latest Practicable Date		Immediately after Completion and the issue of the 691,000,000 Shares under the Placing ^(Note 2a)		Immediately after Completion and the issue of the 760,000,000 Shares under the Placing ^(Note 2b)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
		of the total issued Shares		of the total issued Shares		of the total issued Shares
Subscriber and parties acting, or presumed to be acting, in concert with it (comprising public and non-public Shareholders)						
<i>Subscriber</i> ^(Note 8)	—	—	3,290,457,511	49.24%	3,290,457,511	48.73%
<i>Energy Garden</i> ^(Note 3,4,8)	1,108,826,000	41.04%	1,108,826,000	16.59%	1,108,826,000	16.42%
<i>Lam Yee Chun</i> ^(Note 3,4,5,8,9)	2,605,000	0.10%	2,605,000	0.04%	2,605,000	0.04%
<i>Classic Legend</i> ^(Note 3,8)	387,380,000	14.34%	387,380,000	5.80%	387,380,000	5.74%
<i>Chan Mei Wan</i> ^(Note 3,4,5,8,9)	908,000	0.03%	908,000	0.01%	908,000	0.01%
<i>Jet Lion</i> ^(Note 3,8)	193,620,000	7.17%	193,620,000	2.90%	193,620,000	2.87%
<i>Lee Chong Man Jason</i> ^(Note 3,4,5,8,9)	472,000	0.02%	472,000	0.01%	472,000	0.01%
<i>Jubilee City</i> ^(Note 3,12)	193,620,000	7.17%	193,620,000	2.90%	193,620,000	2.87%
<i>Tang Wenjing</i> ^(Note 3,4,5,12)	330,000	0.01%	330,000	0.00%	330,000	0.00%
<i>Next Admiral</i> ^(Note 6,12)	208,768,000	7.73%	208,768,000	3.12%	208,768,000	3.09%
<i>CRRC (HK)</i> ^(Note 6,12)	97,783,322	3.62%	97,783,322	1.46%	97,783,322	1.45%
<i>Chan Yat Chor</i> ^(Note 7,8)	5,120,000	0.19%	5,120,000	0.08%	5,120,000	0.08%
Subtotal	<u>2,199,432,322</u>	<u>81.41%</u>	<u>5,489,889,833</u>	<u>82.15%</u>	<u>5,489,889,833</u>	<u>81.31%</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at the Latest Practicable Date		Immediately after Completion and the issue of the 691,000,000 Shares under the Placing ^(Note 2a)		Immediately after Completion and the issue of the 760,000,000 Shares under the Placing ^(Note 2b)	
	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
Other non-public Shareholders^(Note 8)						
<i>Lo Siu Yuen^(Note 9)</i>	17,611,000	0.65%	17,611,000	0.26%	17,611,000	0.26%
<i>Other core connected persons^(Note 10)</i>	5,315,915	0.20%	5,315,915	0.08%	5,315,915	0.08%
Subtotal	<u>22,926,915</u>	<u>0.85%</u>	<u>22,926,915</u>	<u>0.34%</u>	<u>22,926,915</u>	<u>0.34%</u>
Public Shareholders^(Note 11, 13)						
<i>Trustee of the Share Award Scheme ^(Note 12)</i>	13,666,803	0.51%	13,666,803	0.20%	13,666,803	0.20%
<i>Remaining Public Shareholders^(Note 13)</i>	465,666,973	17.24%	465,666,973	6.97%	465,666,973	6.90%
<i>Holders of Public Float Shares^(Note 14)</i>	—	—	691,000,000	10.34%	760,000,000	11.26%
Total	<u><u>2,701,693,013</u></u>	<u><u>100.00%</u></u>	<u><u>6,683,150,524</u></u>	<u><u>100.00%</u></u>	<u><u>6,752,150,524</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) Certain percentage figures included in this table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (2) (a) Assuming a minimum number of 691,000,000 Shares are issued to maintain the Public Float of Shares. (b) Assuming a maximum number of 760,000,000 Shares are issued to maintain the Public Float of Shares.
- (3) Prior to the Restructuring, Energy Garden was wholly-owned by Konwell Dev, which was in turn owned as to (i) 58.87% by Sunpower Global Limited (which is ultimately and solely owned by Mr. Lam Yee Chun, an executive Director, the executive chairman and a co-chief executive officer of the Group); (ii) 20.57% by Classic Legend (which is ultimately and solely owned by Ms. Chan Mei Wan, the spouse of Mr. Lam Yee Chun and a non-executive Director); (iii) 10.28% by Jet Lion (which is ultimately and solely owned by Mr. Lee Chong Man Jason, an executive Director and a co-chief executive officer of the Group); and (iv) 10.28% by Jubilee City (which is ultimately and solely owned by Ms. Tang Wenjing who is an employee of the Group). Upon completion of the Restructuring and as at the Latest Practicable Date, Energy Garden (which is wholly-owned by Sunpower Global Limited which is solely owned by Mr. Lam Yee Chun) held 1,108,826,000 Shares; Classic Legend (which is solely owned by Ms. Chan Mei Wan) held 387,380,000 Shares; Jet Lion (which is solely owned by Mr. Lee Chong Man Jason) held 193,620,000 Shares and Jubilee City (which is solely owned by Ms. Tang Wenjing) held 193,620,000 Shares.
- (4) By virtue of the joint venture relationship between the Company and the Subscriber through CNTIC VPower JV, Energy Garden and its beneficial owners, prior to the completion of the Restructuring, namely, Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Ms. Tang Wenjing are presumed to be acting in concert with the Subscriber.

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- (5) *The figures represent the Shares held by Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Ms. Tang Wenjing in their personal capacity as beneficial owners and do not take into account the Shares beneficially owned by them through their indirect interest in Energy Garden prior to the completion of the Restructuring or in Sunpower Global Limited, Classic Legend, Jet Lion and Jubilee City respectively upon completion of the Restructuring.*
- (6) *Based on available public information, Next Admiral is a corporation indirectly wholly owned by CITIC Limited which is controlled by CITIC Group Corporation, which is ultimately owned by the Ministry of Finance of the PRC. CRRC (HK) is a subsidiary of CRRC which is a controlled corporation of CRRC GROUP Co., Ltd., which is a wholly state-owned enterprise under Central SASAC. For further details on the Class 1 Presumptions under the Takeovers Code for these entities, please refer to the paragraph headed “10. Information Required under the Takeovers Code” in the Letter from the Board.*
- (7) *Mr. Chan Yat Chor (being a brother of Ms. Chan Mei Wan and a director of certain subsidiaries of the Company (hence a core connected person of the Company) held 5,120,000 Shares. As Mr. Chan Yat Chor is a close relative (as defined under the Takeovers Code) of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the completion of the Restructuring and the sole shareholder of Classic Legend), he is presumed to be acting in concert with the Subscriber.*
- (8) *Other non-public Shareholders refer to holders of Shares who are not “the public” (as defined under the Listing Rules), other than (a) the Subscriber; (b) Energy Garden (the controlling shareholder of the Company as at the Latest Practicable Date and immediately prior to the completion of the Subscription and the Placing); (c) Classic Legend; (d) Jet Lion; (e) directors of the Company or certain of its subsidiaries, (namely, Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Mr. Chan Yat Chor, the shareholding of each such entity and person are disclosed under “Subscriber and parties acting, or presumed to be acting, in concert with it (comprising public and non-public Shareholders)”.*
- (9) *Mr. Lam Yee Chun, Ms. Chan Mei Wan, Mr. Lee Chong Man Jason and Mr. Lo Siu Yuen are Directors. Save as aforesaid, there were no other Directors who held Shares as at the Latest Practicable Date.*
- (10) *As at the Latest Practicable Date, a total of 5,315,915 Shares were held by five directors of certain subsidiaries of the Company comprising (i) Mr. Liu Boyang; (ii) Mr. Yip Ming Wai; (iii) Mr. Tam Hau Shing; (iv) Mr. Tang Wenlong (who is a cousin of Ms. Tang Wenjing, being the sole beneficial owner of Jubilee City and an employee of the Group); and (v) Ms Liang Hongyao, all being core connected persons (as defined in the Listing Rules) of the Company and who are not considered as public shareholders under Rule 8.24 of the Listing Rules. However, all of them are not interested in or involved in the Subscription and/or the Whitewash Waiver and are Independent Shareholders. The above figure does not take into account the 5,120,000 Shares held by Mr. Chan Yat Chor (being a director of certain subsidiaries of the Company and a close relative of Ms Chan Mei Wan and is therefore presumed to be acting in concert with the Subscriber), whose shareholding is disclosed under “Subscriber and parties acting, or presumed to be acting, in concert with it (comprising public and non-public Shareholders)”.*
- (11) *For the avoidance of doubt, the shareholding position under the “Other Public Shareholders” does not represent the aggregated shareholding positions of all public Shareholders.*
- (12) *As at the Latest Practicable Date, the trustee of the Share Award Scheme, namely, Bank of Communications Trustee Limited, held 13,666,803 Shares (being the unvested Shares held on trust by the trustee for the selected eligible persons under the Share Award Scheme). Pursuant to the rules of the Share Award Scheme and Rule 17.05A of the Listing Rules, the trustee of the Share Award Scheme shall abstain from voting in respect of all the resolutions to be proposed at the EGM.*

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- (13) *Shares held by each of Ms. Tang Wenjing in her personal capacity as beneficial owner, Jubilee City (solely owned by Ms. Tang Wenjing), Next Admiral and CRRC (HK) are considered to be held by “the public” (as defined under the Listing Rules). The 465,666,973 Shares in the table above represented the aggregate number of Shares held by the public Shareholders (“Remaining Public Shareholders”) other than those persons and entities mentioned in this note (12), the trustee of the Share Award Scheme and the holders of the Public Float Shares.*

As at the Latest Practicable Date, the total number of Shares Held By Public Shareholders was 979,835,098 Shares, representing approximately 36.27% of the existing issued share capital of the Company. Such 979,835,098 Shares were held by Jubilee City which is solely owned by Ms. Tang Wenjing (as to 193,620,000 Shares), Ms. Tang Wenjing in her personal capacity as beneficial owner (as to 330,000 Shares), Next Admiral (as to 208,768,000 Shares), CRRC (HK) (as to 97,783,322 Shares), the trustee of the Share Award Scheme (as to 13,666,803 Shares) and the Remaining Public Shareholders (as to 465,666,973 Shares).

Taking into account the minimum and maximum number of 691,000,000 Shares and 760,000,000 Shares to be placed respectively, the total number of Shares Held By Public Shareholders would be the minimum of 1,670,835,098 Shares and the maximum of 1,739,835,098 Shares respectively, representing approximately 25.00% and 25.77%, respectively, of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the relevant number of the Public Float Shares.

- (14) *It is expected that each of the subscribers of the Public Float Shares and (where a corporation) their respective ultimate beneficial owners(s) will be independent of and not connected with the Company and its core connected persons or parties acting in concert with the Subscriber. It is expected that none of the subscribers of the Public Float Shares and (where a corporation) their respective ultimate beneficial owners(s) will become substantial shareholders of the Company immediately after the said allotment and issue of Public Float Shares.*

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 and the issue of the Public Float Shares, the shareholding position of the public Shareholders set out thereunder does not represent the total number of Shares held by public Shareholders (as defined under the Listing Rules) 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 36.27% as at the Latest Practicable Date and such would be diluted to approximately 14.51% after the Completion and the issue of the Public Float Shares, representing a dilution of approximately 21.76 percentage points (the “**Subscription and Public Float Maintenance Dilution**”) immediately after completion of the Subscription and after the issue of the Shares to maintain the Public Float of Shares.

As set out in the sub-section headed “(v) Analysis on transactions which involved the issuance of shares, under specific mandate and whitewash waiver, for the settlement of indebtedness” 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 17.50 percentage points to 57.16 percentage points, with average and median of approximately 29.45 percentage points and 21.41 percentage points, respectively.

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As such, the Subscription and Public Float Maintenance Dilution of approximately 21.76 percentage points is within range, lower than the average and broadly in line with the median dilution in percentage points as represented by the Share Issuance Comparables.

Having considered factors including:

- (i) the reasons for the Subscription as set out in the Letter from the Board, such as, the Subscriber is a sizable, well-established and reputable state-owned enterprise with solid financial resources, under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. As the new controlling shareholder of the Company upon the Completion, the Subscriber is expected to support the Group's future plans going forward;
- (ii) historical financial performance and position of the Group, in particular, (aa) the Group was in a net current liability position as at 31 December 2022; (bb) as at 31 December 2022, the Group recorded an aggregate cash balance¹ under current assets of approximately HK\$157.3 million compared to interest-bearing bank and other borrowings under current liabilities of approximately HK\$2,921.2 million; and (cc) the Group recorded a loss for the year attributable to owners of the Company of approximately HK\$316.9 million for the year ended 31 December 2022;
- (iii) based on our analysis and evaluation on the Subscription Price set out in this letter above, including (aa) closing price of the Shares as at the Last Trading Day, average closing price of the Shares for the five, ten and 30 trading days immediately prior to the Last Trading Day 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 Held By Public Shareholders 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/S Ratio analysis) as set out under section headed "7. Analysis on the Subscription Price" in this letter, we considered the Subscription Price to be fair and reasonable;
- (iv) the Subscription and Public Float Maintenance Dilution is within range and lower than the average dilution in percentage points as represented by the Share Issuance Comparables; and

¹ The aggregate cash balance of the Group as at 31 December 2022 comprised (i) cash and cash equivalents; (ii) pledged deposits; and (iii) restricted cash.

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- (v) the expected financial effects arising from the Subscription and the resultant improvements to the financial position of the Group upon Completion, in particular, the enhancement in share capital and the notable reduction in the current liabilities balance of the Group,

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

10. Our View on the Subscription

Having taken into account the above principal factors and reasons, in particular, (i) the financial information of the Group as set out under section headed “1. Background and Financial Information of the Group” in this letter; (ii) the background information of the Subscriber, including the fact that the Subscriber is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; (iii) the background of the Outstanding EPC Amount, the Capitalised EPC Amount and the reasons for and benefits of the Subscription; (iv) our analysis as set out under the section headed “7. Analysis on the Subscription Price” in this letter, including (a) our analysis on the performance of historical closing Share price; (b) our analysis on the trading liquidity of the Shares during the Review Period; (c) our analysis on the Share Issuance Comparables and Market Comparables, respectively; and (v) the expected financial effects of the Subscription as set out under section headed “8. Expected Financial Effects of the Subscription” in this letter, we are of the view that the terms of the Subscription are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription is in the interests of the Company and the Independent Shareholders as a whole.

B. Application for Whitewash Waiver

With reference to the Letter from the Board, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the Subscription Shares to be allotted and issued represent (i) approximately 121.79% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 54.91% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Assuming the proposed arrangement to maintain Public Float of Shares is implemented with a total of minimum and maximum of 691,000,000 Shares and 760,000,000 Shares being issued, the Subscription Shares would represent approximately 49.24% and 48.73%, respectively, of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the relevant number of the Public Float Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber 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), unless the Whitewash Waiver is granted by the Executive.

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The Subscriber has made an application to the Executive 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 Subscription, respectively, at the EGM.

Each of (i) the Subscriber; (ii) parties acting, or presumed to be acting, in concert with the Subscriber (including (a) Energy Garden; (b) Classic Legend; (c) Jet Lion; (d) Jubilee City; (e) Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Ms. Chan Mei Wan, and Ms. Tang Wenjing, being the ultimate beneficial owners of Energy Garden prior to and/or immediately after completion of the Restructuring, (as the case may be); (f) Mr. Chan Yat Chor, being a close relative of Ms. Chan Mei Wan (an ultimate beneficial owner of Energy Garden prior to the Restructuring and the sole shareholder of Classic Legend); (g) Next Admiral; and (h) CRRC (HK)); and (iii) any other parties who are interested in or involved in the Subscription and/or the Whitewash Waiver (including Mr. Lo Siu Yuen (being an executive Director)) shall abstain from voting in respect of the resolution(s) to approve the 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 Scheme (who held 13,666,803 Shares, being the unvested Shares held on trust for the selected eligible persons under the Share Award Scheme 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 Subscription and/or the Whitewash Waiver.

As the 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 Subscription will not proceed if the Whitewash Waiver is not granted by the Executive or the 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 Subscription and that the Subscription is in the interests of the Company and the Independent Shareholders as a whole; and (ii) the terms of the 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 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 Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

As set out in this letter above, we are of the view that (i) although the entering into of the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the 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 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 Subscription.

Accordingly, we advise the 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 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
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC 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 16 years of experience in the corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the financial statements, of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022; and the unaudited consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the financial statements, of the Group for each of the six months ended 30 June 2022 and 2023 (collectively, the “**Financial Statements**”) are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vpower.com).

Annual report for the financial year ended 31 December 2020 (pages 64 to 169):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600808.pdf>

Annual report for the financial year ended 31 December 2021 (pages 57 to 163):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802919.pdf>

Annual report for the financial year ended 31 December 2022 (pages 59 to 163):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042804235.pdf>

Interim report for the six months ended 30 June 2022 (pages 12 to 36):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0920/2022092000754.pdf>

Interim results announcement for the six months ended 30 June 2023 (pages 1 to 16):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0801/2023080103536.pdf>

The Financial Statements (but not any other part of the aforementioned documents in which they appear) are incorporated by reference into this circular and form part of this circular.

SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group for each of the financial years ended 31 December 2020, 2021 and 2022; and the unaudited consolidated financial results of the Group for the six months ended 30 June 2022 and 2023 as extracted from the Financial Statements for the relevant financial years or periods respectively:

Summary of the consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December			For six months ended 30 June	
	2022	2021	2020	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	3,361,325	5,094,079	3,386,936	998,123	1,772,030
Cost of sales	(2,699,447)	(4,281,566)	(2,575,810)	(861,757)	(1,363,597)
Gross profit	661,878	812,513	811,126	136,366	408,433
Administrative expenses	(377,739)	(408,643)	(344,813)	(198,785)	(165,122)
Finance costs	(232,814)	(210,393)	(220,544)	(134,752)	(109,642)
Share of profits or losses of joint ventures	(198,732)	9,400	263,574	(63,692)	(9,827)
Profit/(loss) before tax	(316,199)	106,677	582,365	(345,469)	90,507
Income tax credit/(expense)	35,489	(49,938)	(56,932)	17,929	(16,121)
Profit/(loss) for the year attributable to:					
— Owners of the Company	(316,852)	45,689	516,294	(327,704)	60,650
— Non-controlling interests	36,142	11,050	9,139	164	13,736
Total comprehensive income/(loss) for the year attributable to:					
— Owners of the Company	(332,574)	38,832	439,219	(325,176)	55,040
— Non-controlling interests	36,142	11,050	9,139	164	13,736
Earnings/(loss) per Share					
— Basic	HK(11.78) cents	HK1.72 cents	HK19.96 cents	HK(12.19) cents	HK2.25 cents
— Diluted	HK(11.78) cents	HK1.72 cents	HK19.96 cents	HK(12.19) cents	HK2.25 cents
Dividends recognised for the year					
Final and interim dividends	—	20,185	131,286	—	—
Less: Dividend for Shares held under the Share Award Scheme	—	(71)	(550)	—	—
	—	20,114	130,736	—	—
Final dividend per Share	—	—	HK3.45 cents	—	—
Interim dividend per Share	—	HK0.75 cent	HK1.51 cents	—	—

Save as disclosed above, there were no material items of income or expense in any of the years ended 31 December 2020, 2021 and 2022 and any of the six-month periods ended 30 June 2022 and 2023.

The auditor of the Company for each of the financial years ended 31 December 2020, 2021 and 2022 was Ernst & Young. As disclosed in the annual report of the Company for the financial year ended 31 December 2022, Ernst & Young set out in the independent auditor's report that there were conditions which indicated a material uncertainty that might cast significant doubt on the Group's ability to continue as a going concern. The opinion of Ernst & Young on the financial statements for the financial year ended 31 December 2022 was not modified in respect of this matter.

Relevant extract of the independent auditor's report as disclosed in the annual report of the Company for the financial year ended 31 December 2022 is reproduced below:

“MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$280.7 million during the year ended 31 December 2022 and, as of that date, the Group had net current liabilities of HK\$1,081.4 million. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

Save as disclosed above, no modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the independent auditor's reports of the Company for each of the financial years ended 31 December 2020, 2021 and 2022.

INDEBTEDNESS STATEMENT

As at 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

Interest-bearing bank and other borrowings

As at 31 May 2023, the Group had unsecured bank overdraft amounting to HK\$8.8 million, unsecured interest-bearing bank borrowing amounting to HK\$2,219.1 million, secured interest-bearing bank borrowing amounting to HK\$549.4 million and other borrowings amounting to HK\$63.2 million. The secured interest-bearing bank borrowing and other borrowings were secured by certain property, plant and equipment with a net carrying amount of HK\$73.5 million and certain inventories with a net carrying amount of HK\$310.3 million.

Lease liabilities

As at 31 May 2023, the Group had lease liabilities amounting to HK\$99.0 million.

Contingent liabilities

As at 31 May 2023, the Group had contingent liabilities amounting to HK\$4.1 million in relation to a power generation project undertaken by a joint venture.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal payables and accruals in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, guarantees, material capital commitment or other material contingent liabilities outstanding as at the close of business on 31 May 2023.

MATERIAL CHANGE

As disclosed in the Company's interim results announcement for the six months ended 30 June 2023 published on 1 August 2023, the Group recorded loss attributable to owners of the Company of approximately HK\$327.7 million for the six months ended 30 June 2023 as compared to profit attributable to owners of the Company of approximately HK\$60.7 million for the six months ended 30 June 2022. The loss attributable to owners of the Company was primarily attributable to a decrease in revenue and gross profit as well as the increase in losses from the share of profits or losses of joint ventures and an increase in finance costs and other expenses, net.

Save for the above, the Directors confirm that there was no material change in the financial or trading position or outlook of the Group between 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, and the Latest Practicable Date.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Subscription and the present financial resources available to the Group, including internally generated funds and other available banking and other facilities, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the Latest Practicable Date.

1. 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 (other than information relating to the Subscriber) 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.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of information (other than that relating to the Subscriber) contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than that expressed by the sole executive director of the Subscriber) 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 statement in this circular misleading.

The information in relation to the Subscriber contained in this circular has been supplied by the sole executive director of the Subscriber, namely Mr. Lu Weijun (陸衛軍). The sole executive director of the Subscriber accepts full responsibility for the accuracy of the information relating to the Subscriber contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular by the Subscriber or its sole executive director 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 statement in this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the completion of the Increase in Authorised Share Capital, Completion and the proposed issue of the Public Float Shares (assuming there is no change in the total issued share capital of the Company since the Latest Practicable Date and up to Completion save for the issue of the Subscription Shares and the Public Float Shares) were/are as follows:

- (a) Authorised and issued share capital of the Company as at the Latest Practicable Date:

Number of Shares	HK\$
<i>Authorised</i>	
5,000,000,000 ordinary shares of HK\$0.10 each	500,000,000
<i>Issued, fully paid or credited as fully paid</i>	
2,701,693,013 ordinary shares of HK\$0.10 each in issue	270,169,301.3

- (b) Authorised and issued share capital of the Company immediately after the completion of the Increase in Authorised Share Capital, Completion and the proposed issue of the Public Float Shares (assuming there is no change in the total issued share capital of the Company since the Latest Practicable Date and up to Completion save for the issue of the Subscription Shares and the Public Float Shares):

Number of Shares	HK\$
<i>Authorised:</i>	
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000,000
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
2,701,693,013 Shares in issue as at the Latest Practicable Date	270,169,301.3
3,290,457,511 new Shares to be allotted and issued under Subscription	329,045,751.1
691,000,000 minimum number of new Shares to be allotted and issued under the Placing	69,100,000
760,000,000 maximum number of new Shares to be allotted and issued under the Placing	76,000,000
(minimum) Total	668,315,052.4
6,683,150,524	
(maximum)	675,215,052.4
6,752,150,524	

All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting and capital.

No Shares had been issued since 31 December 2022 (being the date on which the latest audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares.

3. MARKET PRICES

- (a) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
30 December 2022	0.455
31 January 2023	0.485
28 February 2023	0.425
31 March 2023	0.330
28 April 2023	0.365
31 May 2023	0.380
9 June 2023 (being the Last Trading Day)	0.410
30 June 2023	0.320
31 July 2023	0.260
28 August 2023 (being the Latest Practicable Date)	0.390

- (b) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.54 per Share (on 9 January 2023) and HK\$0.255 per Share (on 4 August 2023), respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set

out in Appendix 10 to the Listing Rules, or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i) *Interests in the Company*

Name of Director	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
Lam Yee Chun	Interest of a controlled corporation	1,108,826,000 <i>(Note 2)</i>	41.04%
	Beneficial owner	2,605,000	0.10%
	Interest of spouse	388,288,000 <i>(Note 3)</i>	14.37%
Lee Chong Man Jason	Interest of a controlled corporation	193,620,000 <i>(Note 4)</i>	7.17%
	Beneficial owner	472,000	0.02%
Lo Siu Yuen	Beneficial owner	17,611,000	0.65%
Chan Mei Wan	Beneficial owner	908,000	0.03%
	Interest of spouse	1,111,431,000 <i>(Note 5)</i>	41.14%
	Interest of a controlled corporation	387,380,000 <i>(Note 6)</i>	14.34%

Notes:

- All the above interests in the Shares were long positions. Based on 2,701,693,013 Shares of the Company in issue as at the Latest Practicable Date.
- Such Shares were held by Energy Garden which entire issued share capital was held by Sunpower Global Limited, the entire issued share capital of which was in turn held by Mr. Lam Yee Chun. Therefore, Mr. Lam Yee Chun is deemed to be interested in the Shares held by Energy Garden by virtue of the SFO.
- Mr. Lam Yee Chun is the spouse of Ms. Chan Mei Wan. Therefore, Mr. Lam Yee Chun is deemed to be interested in the Shares held by his spouse by virtue of the SFO.
- Such Shares were held by Jet Lion which was solely owned by Mr. Lee Chong Man Jason. Therefore, Mr. Lee Chong Man Jason is deemed to be interested in the Shares held by Jet Lion by virtue of the SFO.
- Ms. Chan Mei Wan is the spouse of Mr. Lam Yee Chun. Therefore, Ms. Chan Mei Wan is deemed to be interested in the Shares held by her spouse by virtue of the SFO.
- Such Shares were held by Classic Legend which was solely owned by Ms. Chan Mei Wan. Therefore, Ms. Chan Mei Wan is deemed to be interested in the Shares held by Classic Legend by virtue of the SFO.

(ii) *Interests in the associated corporations of the Company*

Name of Director	Name of associated corporation	Capacity	Number of shares held (Note 1)	Approximate percentage of issued share capital of the associated corporation
Lam Yee Chun	Sunpower Global Limited	Beneficial owner	1	100%
Lam Yee Chun	Energy Garden	Interest of a controlled corporation	100 (Note 2)	100%

Notes:

1. All the above interests in the shares of the associated corporations of the Company were long positions.
2. Such shares were held by Sunpower Global Limited which entire issued share capital was held by Mr. Lam Yee Chun. Therefore, Mr. Lam Yee Chun is deemed to be interested in the shares of Energy Garden held by Sunpower Global Limited by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) Substantial Shareholders' Interests in Shares and Underlying Shares

As at the Latest Practicable Date, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
Sunpower Global Limited	Interest of a controlled corporation	1,108,826,000 <i>(Note 2)</i>	41.04%
Energy Garden	Beneficial owner	1,108,826,000	41.04%
Classic Legend	Beneficial owner	387,380,000	14.34%
Jet Lion	Beneficial owner	193,620,000	7.17%
Tang Wenjing	Interest of a controlled corporation	193,620,000 <i>(Note 3)</i>	7.17%
	Beneficial owner	330,000	0.01%
Jubilee City	Beneficial owner	193,620,000 <i>(Note 3)</i>	7.17%
CITIC Group Corporation	Interest of a controlled corporation	208,768,000 <i>(Note 4, 5)</i>	7.73%
CITIC Polaris Limited	Interest of a controlled corporation	208,768,000 <i>(Note 4, 5)</i>	7.73%
CITIC Glory Limited	Interest of a controlled corporation	208,768,000 <i>(Note 4, 5)</i>	7.73%
CITIC Limited	Interest of a controlled corporation	208,768,000 <i>(Note 4, 5)</i>	7.73%

Name of Shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
CITIC Pacific Limited	Interest of a controlled corporation	208,768,000 <i>(Note 4, 5)</i>	7.73%
Master Wise Holdings Corp.	Interest of a controlled corporation	208,768,000 <i>(Note 4, 5)</i>	7.73%
Next Admiral	Beneficial owner	208,768,000 <i>(Note 5)</i>	7.73%
China General Technology (Group) Holding Co., Ltd. (中國通用技術(集團) 控股有限責任公司)	Interest of a controlled corporation	3,290,457,511 <i>(Note 6)</i>	121.79%
Subscriber	Beneficial owner	3,290,457,511 <i>(Note 6)</i>	121.79%

Notes:

1. All the above interests in the Shares were long positions. Based on 2,701,693,013 Shares of the Company in issue as at the Latest Practicable Date.
2. Such Shares were held by Energy Garden which entire issued share capital was held by Sunpower Global Limited. Therefore, Sunpower Global Limited is deemed to be interested in the Shares held by Energy Garden by virtue of the SFO.
3. Such Shares were held by Jubilee City which was solely owned by Ms. Tang Wenjing. Therefore, Ms. Tang Wenjing is deemed to be interested in the Shares held by Jubilee City by virtue of the SFO.
4. Such Shares were held by Next Admiral which entire issued share capital was held by Master Wise Holdings Corp., which in turn was wholly held by CITIC Pacific Limited. CITIC Pacific Limited was wholly held by CITIC Limited, which in turn was held as to approximately 32.53% by CITIC Polaris Limited and approximately 25.6% by CITIC Glory Limited respectively. Each of CITIC Polaris Limited and CITIC Glory Limited was wholly held by CITIC Group Corporation. Therefore, each of CITIC Group Corporation, CITIC Polaris Limited, CITIC Glory Limited, CITIC Limited, CITIC Pacific Limited and Master Wise Holdings Corp. is deemed to be interested in the Shares held by Next Admiral.
5. Such figures were recorded based on the confirmation from Next Admiral on the number of Shares held by Next Admiral as at the Latest Practicable Date.

6. The Subscriber was interested in 3,290,457,511 Shares being the number of Subscription Shares agreed to be subscribed for by the Subscriber under the Subscription Agreement. The Subscriber is a wholly-owned subsidiary of China General Technology (Group) Holding Co., Ltd., which is therefore deemed to be interested in the Shares held by the Subscriber by virtue of the SFO.

Save as disclosed above, as at Latest Practicable Date, the Company had not been notified by any person (other than the Directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

Particulars of the relevant Directors' service contracts or letters of appointment with 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 Joint Announcement; (b) are continuous contracts with a notice period for termination 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 employer within one year without payment of compensation (other than statutory compensation) are set out as follows:

Name of Director	Position	Counterparty	Date of contract	Term	Remuneration (Note 1)	Notice Period for Termination (Note 2)
Lam Yee Chun	Executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	six months
Lee Chong Man Jason	Executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	six months
Lo Siu Yuen	Executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	six months
Chan Mei Wan	Non-executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	one month
Wong Kwok Yiu	Non-executive Director	the Company	6 December 2022	7 December 2022 to 31 December 2024	Nil	one month
David Tsoi	Independent Non-executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	one month

Name of Director	Position	Counterparty	Date of contract	Term	Remuneration (Note 1)	Notice Period for Termination (Note 2)
Yeung Wai Fai Andrew	Independent Non-executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	one month
Suen Wai Yu	Independent Non-executive Director	the Company	17 December 2021	1 January 2022 to 31 December 2024	HK\$240,000 per annum	one month

Notes:

1. No variable remuneration is payable under the relevant Directors' service contracts.
2. Notice period as specified or such shorter period as the Company and the respective directors may agree.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into service contracts or letters of appointment with 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 Joint Announcement; (b) are continuous contracts with a notice period for termination 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 employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in 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 against any member of the Group.

7. PROFESSIONAL ADVISER AND CONSENT

The following sets out the qualification of the expert who has given opinions, letters or advices included in this circular:

Name	Qualifications
Red Sun Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Red Sun Capital Limited had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice dated 30 August 2023 and set out on pages 45 to 87 of this circular and/or references to its name in the form and context in which they respectively appear.

China Securities (International) Corporate Finance Company Limited, the financial adviser to the Subscriber, had given and had not withdrawn its written consent to the issue of this circular with the references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Red Sun Capital Limited did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MATERIAL CONTRACTS

During the two years preceding the date of the Joint Announcement and up to the Latest Practicable Date, save for the Subscription Agreement, the Supplemental Subscription Agreement and the Placing Agreement, the Group did not enter into any contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, and which are, or may be, material.

9. DISCLOSURE REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) save for the Subscription Agreement and the Restructuring which does not constitute any disqualifying transaction, none of the Subscriber or parties acting in concert with it had dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date;
- (b) other than the Subscription, none of the Subscriber or parties acting in concert with it has made or will make any acquisition or disposal 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 Joint Announcement and up to (and including) the Completion Date without prior consent of the Executive;
- (c) save as disclosed in the paragraph headed “12. Effect on the shareholding structure as a result of the Subscription and the proposed issue of the Public Float Shares” in the “Letter from the Board” in this circular, there was no holding of voting rights in the Company or rights over any Shares which was owned, controlled or directed by the Subscriber or parties acting in concert with it;

- (d) none of the Subscriber or parties acting in concert with it held any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares, nor had entered into any outstanding derivative in respect of securities in the Company;
- (e) there was no outstanding derivative in respect of the securities of the Company which has been entered into by any of the Subscriber or parties acting in concert with it;
- (f) there was no agreement, arrangement or understanding pursuant to which the Shares to be acquired by the Subscriber pursuant to the Subscription will be transferred, charged or pledged to any other persons;
- (g) save for the Subscription Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) existed between the Subscriber or parties acting in concert with it and any other persons or otherwise in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver; and no such person had dealt for value in any relevant securities of the Company during the Relevant Period;
- (h) other than the Subscription and the proposed changes of Directors as set out in the paragraph headed “3. Proposed Change in Composition of the Board” in the “Letter from the Board” in this circular, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber or parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription, the Specific Mandate to allot and issue the Subscription Shares and/or the Whitewash Waiver;
- (i) none of the Subscriber or parties acting in concert with it, or the Company had been notified that any person had irrevocably committed themselves to vote for or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, Specific Mandate to allot and issue the Subscription Shares or the Whitewash Waiver, and no such person had dealt for value in any relevant securities of the Company during the Relevant Period;
- (j) save for the Subscription Agreement, there was no agreement or arrangement to which the Subscriber or parties acting in concert with it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription or the Whitewash Waiver;
- (k) none of the Subscriber or parties acting in concert with it had borrowed or lent any relevant securities in the Company, and none of them had dealt for value in such relevant securities of the Company during the Relevant Period;

- (l) save for the application and offsetting of the Capitalised EPC Amount against the Subscription Amount pursuant to the Subscription Agreement, none of the Subscriber or parties acting in concert with it had paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in connection with the Subscription;
- (m) save for the Subscription Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or any party acting in concert with it (on the one hand) and the Company and any party acting in concert with it (on the other hand);
- (n) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder, and (ii)(a) the Subscriber and any party acting in concert with it, or (b) the Company, its subsidiaries or associated companies;
- (o) save for the Restructuring, the Subscriber and parties acting in concert with it had not dealt for value in any relevant securities of the Company during the Relevant Period;
- (p) none of the non-exempt discretionary fund managers or principal traders connected with the Subscriber owned or controlled any relevant securities of the Company and none of them had dealt for value in any relevant securities of the Company during the Relevant Period;
- (q) the sole executive director of the Subscriber was not interested in any relevant securities of the Company, and had not dealt for value in any relevant securities of the Company during the Relevant Period;
- (r) the Company did not have any interest in the relevant securities of the Subscriber and had not dealt for value in any relevant securities of the Subscriber during the Relevant Period;
- (s) none of the Directors had any interest in the relevant securities of the Subscriber and none of them had dealt for value in any relevant securities of the Subscriber during the Relevant Period;
- (t) save for the Restructuring and save as disclosed in the paragraph headed “12. Effect on the shareholding structure as a result of the Subscription and the proposed issue of the Public Float Shares” in the “Letter from the Board” in this circular and in the paragraph headed “4. Disclosure of Interests” in this appendix, no Director was interested in any relevant securities of the Company and none of the Directors had dealt for value in any relevant securities of the Company during the Relevant Period;

- (u) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of its subsidiaries, or (iii) 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” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), owned or controlled any relevant securities of the Company;
- (v) save for the Subscription Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and 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” under the Takeovers Code 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, and no such person had owned or controlled any relevant securities of the Company;
- (w) no relevant securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (x) save as disclosed in the paragraph headed “12. Effect on the shareholding structure as a result of the Subscription and the proposed issue of the Public Float Shares” in the “Letter from the Board” in this circular and in the paragraph headed “4. Disclosure of Interests” in this appendix, none of the Directors was interested in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares. All of such Directors, namely Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Ms. Chan Mei Wan and Mr. Lo Siu Yuen, are either parties acting, or presumed to be acting, in concert with the Subscriber or parties who are interested in or involved in the Subscription and/or the Whitewash Waiver. As such, all of them shall abstain from voting in respect of the resolutions to approve the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and the Whitewash Waiver at the EGM;
- (y) none of the Company or the Directors had borrowed or lent any relevant securities of the Company;
- (z) no benefits had been or will be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and/or the Whitewash Waiver;
- (aa) there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription (including the allotment and issue of the Subscription Shares under Specific Mandate) and/or the Whitewash Waiver or otherwise connected therewith; and

- (bb) save for (i) the Subscription Agreement, and (ii) the service contract or letter of appointment or employment agreement entered into between relevant member of the Group and each of the Directors, there was no material contract entered into by the Subscriber or parties acting in concert with it in which any Director had a material personal interest.

10. OTHER INFORMATION

- (a) The correspondence address of the Subscriber is at Block C, Tongyong Shidai Center, Xiyong Street, House No. 1, Fengtai District, Beijing, the PRC and its correspondence address in Hong Kong is at Room 3302–3303, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (b) The principal members of the Subscriber's concert group are the Subscriber and China General Technology (Group) Holding Co., Ltd. (the holding company of the Subscriber, with its sole shareholder being the Central SASAC). The correspondence address of China General Technology (Group) Holding Co., Ltd. is at Block C, Tongyong Shidai Center, Xiyong Street, House No. 1, Fengtai District, Beijing, the PRC, and its correspondence address in Hong Kong is at Room 3302–3303, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (c) As at the Latest Practicable Date, the directors of China General Technology (Group) Holding Co., Ltd. were Mr. Yu Xubo (于旭波), Mr. Xu Ping (徐平), Mr. Lu Yimin (陸益民), Mr. Zhang Zhenrong (張振戎), Mr. Yao Guiqing (姚桂清), Mr. Feng Yongqiang (馮永強), Mr. Zhu Hongjie (朱鴻傑), Mr. Gao Yibin (高一斌) and Mr. Qian Xinrong (錢新榮) and the sole executive director of the Subscriber was Mr. Lu Weijun (陸衛軍).
- (d) The registered office of China Securities (International) Corporate Finance Company Limited, the financial adviser to the Subscriber, is situated at 18/F, Two Exchange Square, Central, Hong Kong.
- (e) The main business address of Red Sun Capital Limited, the Independent Financial Adviser, is located at Room 310, 3/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including the date of the EGM (i) at the head office and principal place of business of the Company in Hong Kong at Units 2701–05, 27/F, Office Tower 1, The Harbourfront, 18–22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); (iii) on the website of the Stock Exchange (www.hkexnews.hk); and (iv) on the website of the Company (www.vpower.com):

- (a) the memorandum and articles of association of the Company;
- (b) the articles of association of the Subscriber;
- (c) the annual report of the Company for the financial year ended 31 December 2020;
- (d) the annual report of the Company for the financial year ended 31 December 2021;
- (e) the annual report of the Company for the financial year ended 31 December 2022;
- (f) the interim report of the Company for the six months ended 30 June 2022;
- (g) the interim results announcement of the Company for the six months ended 30 June 2023;
- (h) the letter from the Board, the text of which is set out on pages 9 to 42 of this circular;
- (i) the letter from the Independent Board Committee, the text of which is set out on pages 43 to 44 of this circular;
- (j) the letter from the Independent Financial Adviser, the text of which is set out on pages 45 to 87 of this circular;
- (k) the Subscription Agreement, together with the Supplemental Subscription Agreement;
- (l) the Placing Agreement;
- (m) the written consent from each of Red Sun Capital Limited and China Securities (International) Corporate Finance Company Limited as referred to in the paragraph headed “7. Professional Adviser and Consent” in this Appendix II;
- (n) the service contracts referred in the paragraph headed “5. Directors’ Service Contracts” in this Appendix II;
- (o) the Joint Announcement; and
- (p) this circular.

12. GENERAL

The English text of this circular shall prevail over its Chinese text.

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VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED

偉能集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1608)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of VPower Group International Holdings Limited (the “**Company**”) will be held at Units 2701–05, 27/F, Office Tower 1, The Harbourfront, 18–22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 15 September 2023 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass each of the following resolutions as an ordinary resolution (with or without modifications):

1. “**THAT:**

- (a) the authorised share capital of the Company be increased from HK\$500,000,000 divided into 5,000,000,000 ordinary shares (the “**Shares**”) of HK\$0.1 each to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.1 each by the creation of an additional 5,000,000,000 new Shares, which, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares (the “**Increase in Authorised Share Capital**”);
- (b) immediately following the Increase in Authorised Share Capital, the authorised share capital of the Company be changed from HK\$500,000,000 divided into 5,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares; and
- (c) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Increase in Authorised Share Capital and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”

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2. **“THAT** subject to and conditional upon the passing of resolution numbered 1 above:
- (a) (i) the subscription agreement dated 12 June 2023 (the **“Subscription Agreement”**, a copy of which has been produced to the Meeting and marked “A” and initialled by the chairman of the Meeting for the purpose of identification) entered into between the Company, China National Technical Import & Export Corporation (the **“Subscriber”**), Energy Garden Limited and VPower Holdings Limited pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 3,290,457,511 new Shares (the **“Subscription Shares”**) at the subscription price of HK\$0.42 per Subscription Share and the transactions contemplated thereunder and (ii) the supplemental subscription agreement dated 28 August 2023 (the **“Supplemental Subscription Agreement”**, a copy of which has been produced to the Meeting and marked “B” and initialled by the chairman of the Meeting for the purpose of identification) entered into between the Company, the Subscriber, Energy Garden Limited and VPower Holdings Limited for the extension of the long stop date under the Subscription Agreement, be and are hereby approved, confirmed and ratified;
 - (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) granting the listing of and permission to deal in the Subscription Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement and the Supplemental Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
 - (c) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement, the Supplemental Subscription Agreement, the allotment and issue of the Subscription Shares and/or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”
3. **“THAT:**
- (a) the placing agreement (the **“Placing Agreement”**, a copy of which has been produced to the Meeting and marked “C” and initialled by the chairman of the Meeting for the purpose of identification) dated 24 August 2023 entered into between the Company and Goldlink Securities Limited in relation to the placing (the **“Placing”**) of no less than 691,000,000 new Shares and no more than

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760,000,000 new Shares (the “**Placing Shares**”) at the placing price of HK\$0.33 per Placing Share (the “**Placing Price**”) and the transactions contemplated thereunder be and are hereby approved, confirmed, and ratified;

- (b) subsequent arrangements (the “**Subsequent Arrangements**”) for maintaining public float requirement of Shares (under Rule 8.08 of Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange) be and are hereby approved, provided that (i) the aggregate number of new Shares to be allotted and issued under the Placing Agreement and the Subsequent Arrangements shall be no less than 691,000,000 Shares and be no more than 760,000,000 Shares; (ii) all and any placees and/or subscribers under the Subsequent Arrangements shall be third party(ies) independent of and not acting in concert (as defined in the Code (the “**Takeovers Code**”) on Takeovers and Mergers) with the Company or any of its substantial shareholders (as defined in the Listing Rules) in relation to the control of the Company within the meaning of the Takeovers Code and independent of and not connected with the Company, any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules) and parties not acting in concert with the Subscriber and shall not be the shareholders of the Company; and (iii) the placing or subscription price per Share under the Subsequent Arrangements shall be the same as the Placing Price (i.e. HK\$0.33 per Share);
- (c) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Shares to be allotted and issued under the Placing and/or the Subsequent Arrangements (if required and implemented), the Directors be and are hereby granted a specific mandate for the allotment and issue of new Shares of no less than 691,000,000 Shares and no more than 760,000,000 Shares in accordance with the terms of the Placing Agreement and/or the Subsequent Arrangements, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
- (d) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Placing Agreement the Subsequent Arrangements, the allotment and issue of the new Shares to be allotted and issued under the Placing and/or the Subsequent Arrangements (if required and implemented) and/or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”

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SPECIAL RESOLUTION

and, to consider and, if thought fit, pass the following resolution as a special resolution (with or without modification):

4. “**THAT** subject to and conditional (i) upon the passing of resolution numbered 2 above and (ii) the granting of the Whitewash Waiver (as defined below) by the Executive Director (or any of his delegate(s)) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong to the Subscriber and the satisfaction of all conditions that may be prescribed for such grant, and that the Whitewash Waiver not having been subsequently revoked or withdrawn, the waiver of the obligation on the part of the Subscriber to make a mandatory general offer to the shareholders of the Company for all the issued Shares (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) (the “**Whitewash Waiver**”), which would otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of The Code on Takeovers and Mergers, be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

By Order of the Board of
VPower Group International Holdings Limited
Lam Yee Chun
Executive Chairman and Co-Chief Executive Officer

Hong Kong, 30 August 2023

Principal Place of Business:

Units 2701–05, 27/F
Office Tower 1
The Harbourfront
18–22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote in his stead. A proxy need not be a member of the Company.

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2. For joint registered holders of any Share, any one of such joint holders may vote at the Meeting (or any adjournment thereof), either in person or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting (or any adjournment thereof) in person or by proxy, that one of the said joint holders so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 11:00 a.m. on Wednesday, 13 September 2023 or not less than 48 hours before the time appointed for holding any adjourned meeting (as the case may be).
4. Completion and delivery of the form of proxy will not preclude any member of the Company from attending and voting in person at the Meeting (or any adjournment thereof) if he/she so wishes, and in such event, the form of proxy shall be deemed to be revoked.
5. Pursuant to Rule 13.39(4) of the Listing Rules and article 66 of the articles of association of Company, voting for all the resolutions set out in this notice will be taken by poll at the Meeting.
6. For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed during the period from Thursday, 14 September 2023 to Friday, 15 September 2023 (both days inclusive), during which period no transfer of Share(s) will be effected. In order to qualify for attending and voting at the Meeting, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 September 2023.
7. If at any time after 7:00 a.m. on the date of the Meeting, typhoon signal number 8 or above or a black rainstorm warning is hoisted or remains hoisted, the Meeting will be postponed or adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vpower.com) to notify shareholders of the Company of the date, time and place of the re-scheduled meeting. At least seven clear days' notice shall be given of the re-scheduled meeting.
8. The Chinese translation of this notice is for reference only and in case of any consistency, the English version shall prevail.
9. All times and dates specified herein refer to Hong Kong local times and dates.