

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Titans Energy Technology Group Co., Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of China Titans Energy Technology Group Co., Limited.

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China Titans Energy Technology Group Co., Limited
中國泰坦能源技術集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2188)

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER
SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF EGM**

Financial adviser to the Subscriber



Guotai Junan Capital Limited

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



Innovax Capital Limited

A notice convening the EGM to be convened and held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 12 December 2022 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see below for measures being taken to try to prevent and control the spread of the Coronavirus at the Extraordinary General Meeting, including:

- compulsory temperature checks and health declarations
- wearing of surgical face masks
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the relevant regulations, be provided with voting slips of the EGM and may complete, sign and return the voting slips to exercise their voting rights. The Company reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | 5 |
| LETTER FROM THE INDEPENDENT BOARD COMMITTEE | 25 |
| LETTER FROM THE INDEPENDENT FINANCIAL ADVISER | 27 |
| APPENDIX I – FINANCIAL INFORMATION OF THE GROUP | I-1 |
| APPENDIX II – GENERAL INFORMATION | II-1 |
| NOTICE OF EGM | EGM-1 |

DEFINITIONS

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

| | |
|---------------------------------|--|
| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “Announcement” | the announcement made by the Company dated 18 October 2022 in relation to the Subscription and the Whitewash Waiver |
| “associate(s)” | has the meaning ascribed to it under the Takeovers Code |
| “Board” | the board of Directors |
| “Business Day(s)” | a day on which banks are open for general business in Hong Kong (excluding Saturday, Sunday, public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted or “extreme conditions” are announced in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) |
| “Company” | China Titans Energy Technology Group Co., Limited, a 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: 2188) |
| “Completion” | the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement |
| “Completion Date” | the date of Completion, which is expected to be on the fifth Business Day after all of the conditions of the Subscription have been fulfilled or waived (or such other date as the Company and the Subscriber may agree in writing) |
| “Controlling Shareholder Group” | the group of controlling Shareholders of the Company which consists of (1) Genius Mind Enterprises Limited and its sole beneficial owner Mr. Li Xin Qing; (2) Great Passion International Limited and its sole beneficial owner Mr. An Wei; (3) Rich Talent Management Limited; and (4) Honor Boom Investments Limited and its beneficial owners Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian |

DEFINITIONS

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|---------------------------------|--|
| “Director(s)” | the director(s) of the Company from time to time |
| “EGM” | an extraordinary general meeting of the Company to be convened and held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 12 December 2022 at 11:00 a.m. or any adjournment thereof for the Shareholders or the Independent Shareholders, as appropriate, to consider and, if thought fit, approve, among others, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), and the Whitewash Waiver |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent board committee of the Board comprising all three (3) independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng, established in accordance with Rule 2.8 of the Takeovers Code, who have no direct or indirect interest in the Subscription Agreement or the Whitewash Waiver |
| “Independent Financial Adviser” | Innovax Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver |

DEFINITIONS

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|----------------------------|---|
| “Independent Shareholders” | Shareholder(s) other than: (i) the Subscriber and parties acting in concert with it; (ii) those who are involved in or interested in the Subscription and the Whitewash Waiver and the transactions contemplated thereunder (including the Controlling Shareholder Group); and (iii) those who are required to abstain from voting at the EGM (if any) to consider and approve the Subscription Agreement, the Whitewash Waiver and the transactions contemplated thereunder under the Listing Rules and the Takeovers Code |
| “Latest Practicable Date” | 15 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 17 January 2023 (or such later date as may be agreed between the Company and the Subscriber in writing) |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| “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 |
| “Relevant Period” | the period commencing on the date falling six months preceding 18 October 2022, being the date of the Announcement, i.e. 18 April 2022 up to and including the Latest Practicable Date |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | the ordinary share(s) of par value HK\$0.01 each in the share capital of the Company |

DEFINITIONS

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|--------------------------|--|
| “Shareholder(s)” | the holder(s) of the issued Share(s) |
| “Specific Mandate” | the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” | 唐山國控科創有限公司(Tangshan Guokong Science and Technology Limited*), a company established in the PRC with limited liability which may subscribe the Subscription Shares through any of its wholly-owned subsidiaries to be nominated by it |
| “Subscription” | the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement |
| “Subscription Agreement” | the conditional agreement dated 18 October 2022 and entered into between the Company and the Subscriber for the Subscription |
| “Subscription Price” | HK\$0.34 per Subscription Share |
| “Subscription Shares” | 566,970,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement |
| “Takeovers Code” | the Code on Takeovers and Mergers |
| “Whitewash Waiver” | the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it arising as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement |
| “%” | per cent. |



China Titans Energy Technology Group Co., Limited
中國泰坦能源技術集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2188)

Executive Directors:

Mr. Li Xin Qing (Chairman)

Mr. An Wei (Chief Executive Officer)

Independent non-executive Directors:

Mr. Li Wan Jun

Mr. Pang Zhan

Mr. Li Xiang Feng

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

Suite 2703, 27/F

Shui On Centre

Nos. 6-8 Harbour Road

Wanchai

Hong Kong

18 November 2022

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER
SPECIFIC MANDATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription and the Whitewash Waiver.

On 18 October 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 566,970,000 Subscription Shares at the Subscription Price of HK\$0.34 per Subscription Share for a total consideration of HK\$192,769,800.

* For identification purpose only

LETTER FROM THE BOARD

The primary purpose of this circular is to provide you with, among other things, (i) further details of the Subscription and the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver; and (iv) the notice of the EGM.

The Subscription Agreement

Date 18 October 2022 (after trading hours)

Parties (i) the Company; and
(ii) the Subscriber

As at the Latest Practicable Date, the Subscriber and its ultimate beneficial owner did not own or have control or direction over any Shares and was a party independent of the Company and the connected persons (as defined under the Listing Rules) of the Company. Please refer to the section headed "Information of the Subscriber" for more information of the Subscriber.

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 566,970,000 Subscription Shares at the Subscription Price of HK\$0.34 per Subscription Share and at an aggregate Subscription Price of HK\$192,769,800.

The 566,970,000 Subscription Shares represent approximately (i) 61.29% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 38.00% of the enlarged issued share capital of the Company upon Completion (assuming there is no other change in the total number of issued Shares of the Company other than the issue of the Subscription Shares). As 566,970,000 Subscription Shares allows the Company to (i) fulfill its funding needs (taking into account the Subscription Price) and (ii) maintain its public float requirement upon Completion, the Board considers that the number of Subscription Shares of 566,970,000 is fair and reasonable and in the interest of the Company and its Shareholders as a whole. The aggregate nominal value of the Subscription Shares is HK\$5,669,700.

The Subscription Shares will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which maybe declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

THE SUBSCRIPTION PRICE

The Subscription Price of HK\$0.34 per Subscription Share represents:

- (i) the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 3.03% to the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on 18 October 2022, being the date of the Subscription Agreement;
- (iii) a premium of approximately 7.94% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on 17 October 2022, being the last Business Day prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 5.92% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including 18 October 2022 of approximately HK\$0.321 per Share;
- (v) a premium of approximately 4.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including 18 October 2022 of approximately HK\$0.325 per Share;
- (vi) a premium of approximately 2.32% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the one hundred and eighty (180) consecutive trading days up to and including 18 October 2022 of approximately HK\$0.3323 per Share;
- (vii) a discount of approximately 44.26% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.610 per Share as at 31 December 2021, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB510,992,000 (equivalent to approximately HK\$564,264,181) as at 31 December 2021 and 925,056,000 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 42.81% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.5945 per Share as at 30 June 2022, calculated based on the Group's latest unaudited consolidated net assets attributable to the Shareholders of approximately RMB498,005,000 (equivalent to approximately HK\$549,923,254) as at 30 June 2022 and 925,056,000 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price of HK\$0.34 was arrived at after arm's length negotiations between the Company and the Subscriber taking into account, among others, (i) the financial position of the Group, which the Group recorded audited losses and a decreasing trend in net assets for the three years ended 31 December 2020, but the Group recorded an audited net profit and an increase in net assets for the year ended 31 December 2021; (ii) the recent market conditions in the Hong Kong stock market, which the Hang Seng Index dropped from 23,274.75 on 3 January 2022 (being the first trading day in 2022) to 16,612.90 on 17 October 2022 (being the last Business Day prior to the date of the Subscription Agreement); (iii) the volume of the 566,970,000 Subscription Shares, which represented 38.00% of the enlarged issued share capital of the Company upon Completion and the Subscriber will then become the largest Shareholder of the Company; and (iv) the recent decline in the closing prices of the Shares, which decreased by approximately 30.77% from HK\$0.455 on 27 October 2021 to HK\$0.315 on 17 October 2022.

Furthermore, the Directors consider that the Subscription is a valuable opportunity for the Group to bring in a solid strategic investor, namely the Subscriber, which can contribute its resources and expertise in the relevant industries. The Company will benefit from the new business opportunities that the Subscriber may introduce to the Company, considering the scope of operations of the Subscriber in the PRC. The Company will also raise additional funds through the Subscription, which will further improve the financial position and liquidity of the Group, and provide the Company with the financial flexibility necessary for the expansion of its existing business.

The Board (including members of the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that the basis in determining the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and entering into the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the Subscription

The Subscription is conditional upon satisfaction of the following conditions at or prior to 6 p.m. on the Long Stop Date:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares to be allotted and issued;
- (b) the passing of the necessary resolution by the Independent Shareholders at the duly convened EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate for the allotment and issue of the Subscription Shares;
- (c) the passing of the necessary resolution by the Independent Shareholders at the duly convened EGM to approve the Whitewash Waiver by special resolution;
- (d) the Executive granting the Whitewash Waiver to the Subscriber and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (e) all acknowledgements, approvals and consents, having been obtained from third parties for the Subscription Agreement and transactions thereunder, namely (i) the approval or filing required by the competent authority of the State-owned Assets Supervision and Administration Commission in respect of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the approval or filing required by (a) the Development and Reform Commission, (b) the competent commerce authority and (c) the competent foreign exchange authority in respect of overseas investment of domestic enterprises, and all such acknowledgements, approvals and consents remaining in full force and unrevoked;
- (f) the Subscriber having completed due diligence on the legal, financial and business aspects of the Company and the Group and is satisfied with the due diligence results;

LETTER FROM THE BOARD

- (g) the representations, undertakings and warranties given by the Company in the Subscription Agreement remaining true and accurate in all material respect and not misleading in any material respects, and there having been no material breach of the Subscription Agreement committed by any of the parties to the Subscription Agreement;
- (h) the listing status of the Company on the Stock Exchange not having been revoked or cancelled, and the Shares remaining trading on the Stock Exchange (except for trading halt(s) not exceeding ten (10) consecutive trading days (or such other relevant period as may be agreed by the Subscriber in writing) or trading halt(s) relating to Subscription and all transactions contemplated under the Subscription Agreement); and the Stock Exchange or the SFC not having indicated that the listing status of the Company will be suspended, cancelled or revoked at any time after Completion;
- (i) there having been no change in the members of the Controlling Shareholder Group of the Company;
- (j) before Completion, there shall not have occurred any of the following situations:
 - (i) any material adverse change in the financial or other positions, or the income, assets, business or operations of the Group; or any development which, is reasonably believed to, possibly lead to such material adverse change;
 - (ii) any governmental action, court order, proceeding, inquiry or investigation rendering the Subscription illegal or to imposing a prohibition or restriction on the Subscription;
 - (iii) any outbreak or escalation of hostilities or terrorist acts in Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any declaration of a state of emergency, war or other disaster or crisis by any of the said jurisdictions; and
 - (iv) any major disruption to the commercial banks, securities settlement or clearing services in Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any announcement made by the relevant departments stating that all commercial bank activities have been completely suspended.

LETTER FROM THE BOARD

- (k) each member of the Controlling Shareholder Group that is a holder of voting rights (within the meaning under the Takeovers Code) in the Company on the date thereof[#] shall sign an irrevocable undertaking in the form of a deed to the satisfaction of the Subscriber and the Controlling Shareholder Group which should take effect on the date when the Subscriber announces a firm intention to make a mandatory general offer and the content shall include: (1) if the Subscriber makes a mandatory general offer in accordance with the Takeovers Code, he/she/it will not accept the offer; (2) at the request of the Subscriber, he/she/it will dispose of a sufficient number of Shares to ensure that the public float of the issued Shares as enlarged by the Subscription is not less than 25% before the close of the mandatory general offer and immediately after the close of the mandatory general offer, provided that the Subscriber will not, and will procure parties acting in concert with it not to, purchase any Shares (whether such Shares are purchased from the Controlling Shareholder Group or not) within six (6) months of the closing of the offer; and (3) he/she/it confirms that he/she/it does not have any special voting arrangements in respect of the Shares that have not been disclosed to the Subscriber, including but not limited to any special arrangement of concert party, voting entrustment etc.

If any of the above conditions precedent cannot be fulfilled, the Subscriber may at its absolute discretion waive conditions (c), (d), (f), (g), (j) and (k) above. If the Subscriber waives condition (k) above, the Company, members of the Controlling Shareholder Group and the Subscriber will take appropriate steps, including but not limited to, the disposal of a sufficient number of Shares by the members of the Controlling Shareholder Group, to restore sufficient public float of the Company. The Board shall ensure that the minimum public float requirement under Rule 8.08 of the Listing Rules be maintained. All other conditions are non-waivable, and the Company is not entitled to waive any of the above conditions. In the event that any of the conditions of the Subscription is not fulfilled or waived at or prior to 6 p.m. on the Long Stop Date, the Subscription Agreement will terminate and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach of any obligation and any liabilities under the Subscription Agreement.

If the Subscriber waives condition(s) (c) and/or (d), the Subscriber will be required to make a mandatory general offer upon Completion.

As at the Latest Practicable Date, none of the conditions set out above had been satisfied.

[#] For illustration purpose, based on the holding of voting rights as at the Latest Practicable Date, these are all the members of the Controlling Shareholder Group except Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian who do not hold voting rights in their personal capacity.

LETTER FROM THE BOARD

Completion

Completion is expected to take place on the fifth Business Day after all of the above conditions have been fulfilled or waived (or such other date as the Company and the Subscriber may agree in writing). At Completion, among others, (i) the Subscriber shall pay the Subscription Price to a bank account designated by the Company by immediately available funds by direct transfer (or such other way as may be agreed between the Company and the Subscriber); and (ii) the Company shall allot and issue the Subscription Shares to the Subscriber.

Immediately after Completion, (i) the Subscriber will be interested in approximately 38.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the total number of issued Shares of the Company other than the issue of the Subscription Shares).

Ranking

The Subscription Shares will rank equally in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Mandate for the issue of the Subscription Shares

The allotment and issue of the Subscription Shares is subject to approval by the Independent Shareholders at the EGM to be convened and held. Resolution(s) will be proposed at the EGM to approve, among other things, the Specific Mandate to allot and issue the Subscription Shares under the Subscription Agreement.

Listing application

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

INFORMATION OF THE SUBSCRIBER

The Subscriber is indirectly wholly-owned by 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*), a PRC government body as at the Latest Practicable Date.

The Subscriber is principally engaged in digital information, new energy and environmental protection, finance, logistics and trading and conducts large-scale investment and financing in various industries related to its principal businesses.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer (BOT) arrangements.

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 31 December 2020 and 2021 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2021 and 2022, prepared in accordance with the Hong Kong Financial Reporting Standards:

| | For the year ended | | For the six months ended | |
|--|--------------------|-----------|--------------------------|-------------|
| | 31 December | | 30 June | |
| | 2020 | 2021 | 2021 | 2022 |
| | (RMB'000) | (RMB'000) | (RMB'000) | (RMB'000) |
| | (audited) | (audited) | (unaudited) | (unaudited) |
| Revenue | 275,592 | 337,344 | 132,664 | 125,245 |
| Profit (loss) after tax for the year/period | (30,211) | 17,328 | (10,036) | (11,537) |

The net assets of the Group as at 31 December 2020 (audited), 30 June 2021 (unaudited), 31 December 2021 (audited) and 30 June 2022 (unaudited) were RMB504,893,000, RMB497,197,000, RMB522,919,000 and RMB509,432,000, respectively.

REASONS FOR THE SUBSCRIPTION

In recent years, in order to achieve the “carbon neutrality and carbon peak” policy, the PRC national strategy is to accelerate the construction and development of new electrical power system with focus on the new energy, support the development of the green and low-carbon industry and new energy vehicles industry. The strategy also promotes the development of infrastructure for electric vehicle battery charging and replacing, energy storage, and ancillary power grids in an orderly manner.

The Company has been committed to the research and development of power electronics, automatic control and software technology for many years. Leveraging on its Direct Current (DC) power supply, electric vehicle battery charging and replacing system, energy storage, power quality management and other product series, the Company has achieved a stable market position and remarkable business reputation among the industries.

LETTER FROM THE BOARD

With the above-mentioned macro environment and the direction and implementation of the policies, the Group's various products and businesses may embrace the rapid and continuous growing market opportunities. Meanwhile, the Group has been planning to expand and strengthen its existing business and seek new business development opportunities in order to enhance the shareholders' return. In order to seize the opportunities arising from the rising demand for new energy and low-carbon solutions and achieve repaid growth in the sales of the Company's products including but not limited to Direct Current (DC) power supply and electric vehicle battery charging and replacing system, the Company has to seek financial and market resources during the process of its business expansion. To maintain the Company's stable market position and remarkable business reputation in the industry, the Company plans to continue to invest in research and development and streamline its management and operations to achieve the medium-term goal of becoming a comprehensive service provider of new energy solutions.

Although the Company's business development has been stable, business volume has not grown significantly. The Board believes that the main reasons for not recording significant growth in its business are mainly attributable to (i) the stand-alone projects and the non-recurring nature of the customers; and (ii) the non-standardization and engineering characteristics of the Company's products resulted in the slower collection of accounts receivable due to the fact that products of the Company that are used in construction projects, have to be installed, synchronized with other equipment on the project site and tested and delay may occur during the above testing and acceptance procedures of the projects. Such nature of products, limit the Company's financial flexibility for business development in new products, new markets, and new sales channels. On the other hand, as competition in the new energy industry intensifies, the Company must act fast in order to take advantage of the aforementioned business opportunities. In order to achieve this, the Company has imminent needs to seek (i) financial resources in order to continue to invest and expand its business; and (ii) market resources such as cooperation with strategic investors and/or business partners who are state-owned institutions in order to monitor market developments in a timely manner. The Directors consider that the Subscription will expand the Company's shareholder base, and, as a result of which, to further strengthening the market's confidence in the development of the Company in the long run.

The Subscriber is indirectly wholly-owned by 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*), a PRC government body, and principally engaged in digital information, new energy and environmental protection, finance, logistics and trading and conducts large-scale investment and financing in various industries related to its principal businesses. The Subscriber is located in Tangshan City, which is the main industrial hub for ports, steel, logistics and transportation and heavy machinery and equipment. In accordance with the national goals of dual carbon policy, new energy vehicle development strategy and circular economy (an economic model to maximize resource use and product lifecycle and encourage sustainability and green innovation) development strategy, Tangshan City has always focused on new energy industry development. Currently, Tangshan City is a key representative of the abovementioned circular economy and one of three cities in the country focusing on electrification of

LETTER FROM THE BOARD

heavy-duty trucks. As a state-owned platform, the Subscriber will become the main driver of Tangshan City to achieve the above national goals. The Subscriber has the capital resources to achieve the above national goals, but require the Company's expertise on product development, technologies and project implementation plans. The Board believes that the Subscriber represents a solid strategic investor to the Company and will contribute resources and expertise during its future cooperation.

After the Subscriber becomes a controlling Shareholder, the Company will also become an enterprise indirectly owned by the Tangshan municipal government. Thus, the Company would be able to enjoy various supports from the local government (including but not limited to capital, market and financial resources and taxation related supports). Due to the above business opportunities in Tangshan City and the Beijing-Tianjin-Hebei region and the potential incentives from working with the Subscriber as a business partner, the Board believes that the Company has imminent needs and it is beneficial to introduce the Subscriber as a controlling Shareholder.

After Completion, the Company intends to expand its business by, with the support of the Tangshan City government, using the capital and resource advantages of the Subscriber to carry out the construction and operation of electric vehicle charging and power-replacing stations. The Company also plans to expedite the development of new energy storage, power quality management and other new technologies to cope with the local industrial planning and policies of Tangshan City; and utilizing the Company's geographical advantages in Tangshan City to gradually extend its business to other areas in Beijing-Tianjin-Hebei region.

The Directors believe that the Subscription is crucial to the Group's future market expansion, and enhancement of its market position and business image. In the meantime, the synergy effect of the Company and the Subscriber will bring significant support and assistance to the Company's long-term and stable development.

By carrying out the business expansion plans as stated above, the Company will be able to expand the Company's business scale and enhance the business image of the Company. In particular, the implementation of the Company's projects on the construction and operation of electric vehicle charging and power-replacing stations in Tangshan City and Beijing-Tianjin-Hebei region will create a chance for the Company to become one of the leading service providers of charging and power-replacing facilities in the region. This will also stimulate the growth of the Company's sales in its equipment manufacturing segment and increase the Company's market share towards a leading position in the PRC.

Upon Completion, the Company plans to cooperate with the Subscriber and its local government on certain projects, including, among others, business projects on the electrification of heavy duty trucks, franchise rights to operate the electric vehicle charging and power-replacing stations and business projects on the construction of government-led new energy charging and power-replacing stations. However, all these projects are subject to further negotiations with the Subscriber and the relevant parties.

LETTER FROM THE BOARD

The Board believes that the above-mentioned relevant synergy will beneficially enhance the Group's performance, market position and business image, and at the same time, provide a foundation for the Company's long-term and stable development. Based on the above, the Board believes that the cooperation with the Subscriber will achieve complementary advantages, and the synergy effect can outweigh the dilution effect upon Completion.

Besides the Subscription, the Board considered various financing methods, such as debt financing from banks or other financial institutions and other forms of equity financing. With regard to debt financing, taking into account that any debt financing will further increase the Group's debt levels, and considering that the additional interest expenses and guarantee requirements charged and required by banks or other financial institutions, as well as further increase in the financial risk of the Group due to the incurrence of financing costs, the Company believes that debt financing may not be the most desirable financing option. As for other methods of equity financing such as placements, they will only be conducted on a best-effort basis and may create uncertainty regarding the amount of proceeds which can be raised and are subject to market conditions. With regard to any fully underwritten-based rights issue or public offering fundraising exercise, given the relatively lengthy process of preparing and issuing a prospectus and locating suitable underwriters, the issuance cost of the prospectus and the additional underwriting fees involved will generally be higher and depend on the amount of proceeds obtained. The Subscription will allow the Group to raise the required funds in a timely manner and with certainty without incurring unreasonable expenses, and the Company believes that the Subscription is the most desirable financing option under the current circumstances.

The Board (including members of the Independent Board Committee after considering the advice of the Independent Financial Adviser) is therefore of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

Future intentions of the Subscriber regarding the Group

Upon Completion, the Subscriber will become a controlling shareholder (as defined under the Listing Rules) of the Company. The Subscriber considers and confirms that (a) it is intended that the Group will maintain the listing of its Shares on the Stock Exchange and continue with its existing business following the Completion; and (b) it 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.

LETTER FROM THE BOARD

If Completion takes place, the Company will receive the aggregate Subscription Price (i.e. HK\$192,769,800) from the Subscriber for, among others, investment. Please refer to the section headed “Use of Proceeds” of this circular for details on how the proceeds will be applied by the Company. In the long run, the Subscriber expects that the Company shall maintain its business and operation through its own generated revenue and cashflow and external financing. When the Subscriber becomes a controlling shareholder of the Company, the Subscriber would consider providing suitable guarantees for external financing of the Company to lower its financing costs when appropriate.

The Subscriber intends to (i) retain certain Directors, including Mr. Li Xin Qing and Mr. An Wei, who are existing executive Directors (please refer to the 2021 annual report of the Company for their respective biographies), and the majority of the members of the senior management of the Group to continue to manage and operate the business of the Group; and (ii) recruit experts and consultants with relevant experience and expertise in relation to the principal business of the Group as members of the Subscriber’s senior management to manage and supervise the business and operation of the Group at the Subscriber level.

CHANGE OF COMPOSITION OF THE BOARD

At the Latest Practicable Date, the Subscriber intended to nominate two executive Directors, one non-executive Director and two independent non-executive Directors to the Board. Pursuant to the Subscription Agreement and as a matter of good corporate governance, the Company will procure two existing independent non-executive Directors, namely Mr. Li Wan Jun and Mr. Pang Zhan who have been serving on the Board for over 14 and seven years respectively, to resign. As confirmed by the two to-be-resigned independent non-executive Directors, they have no disagreement with the Board.

As at the Latest Practicable Date, the Subscriber had not identified the new Directors to be appointed. Details of the actual change of the Board composition and biographies of any new Directors to be appointed will be further announced as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

USE OF PROCEEDS

The gross proceeds to be raised from the Subscription is HK\$192,769,800. The net proceeds after deducting all relevant costs and expenses of the Subscription are estimated to be approximately HK\$188.29 million, of which approximately HK\$94.14 million (representing approximately 50% of the net proceeds) will be applied for investments in the expansion of the charging services for electric vehicles business; approximately HK\$75.32 million (representing approximately 40% of the net proceeds) will be applied for investments in the expansion of the charging equipment for electric vehicles business; and approximately HK\$18.83 million (representing approximately 10% of the net proceeds) will be applied for general working capital of the Group.

As disclosed in the section headed “Reasons for the Subscription”, the Company must act fast in order to take advantage of the business opportunities in relation to the new energy industry in Tangshan City and Beijing-Tianjin-Hebei region.

LETTER FROM THE BOARD

Based on the estimation of the Company, approximately 50% of the net proceeds will allow the Company to invest and operate (including repair and maintenance costs) around nine general-scale charging and power-replacing stations (focusing on heavy-duty truck power-replacing) by 2025. In order to achieve the goal of becoming a market leader in the charging and power-replacing stations market, the Company aims to build more stations than that, but plans to use the part of the net proceeds as initial investment and as springboard to future investments. Approximately 40% of the net proceeds will be used to expand the Company's business in charging equipment for electric vehicles by 2024. Investment in the Company's charging equipment segment would include research and development costs on power-replacing and energy storage technologies; expansion of production line and machineries; and optimising sales channel by expanding the sales team. In addition, the Company will use approximately 10% of the net proceeds for general working capital to invest in market promotion capabilities and improve production facilities, and optimize the Group's funding structure. The Board intends to commence the above business expansion plans by early 2023. Hence, the Board considers that there is an imminent need to raise HK\$192.8 million from the Subscription such that the Company can carry out its business expansion plans in a timely manner. The Group has formulated plans for the use of net proceeds raised from the Subscription.

A. Investments in the expansion of the charging services for electric vehicles business

Approximately HK\$94.14 million (representing approximately 50.0% of the net proceeds) will be applied for investments in the expansion of the charging services for electric vehicles business in Tangshan City by the end of 2025, the details and expected timeline of which are set out as follows:

| | | Proposed amount of net proceeds allocated (RMB million) | Approximate % | Expected timeline |
|---|---|--|---------------|--------------------|
| 1 | Construction of charging and power-replacing stations for electric vehicles, including heavy-duty trucks | 81.94 | 43.5% | By the end of 2024 |
| 2 | Operation of charging and power-replacing stations for electric vehicles, including heavy-duty trucks | 9.64 | 5.1% | By the end of 2024 |
| 3 | Repair and maintenance of charging and power-replacing stations and charging poles for electric vehicles, including heavy-duty trucks | 2.56 | 1.4% | By the end of 2025 |
| | Total | 94.14 | 50.0% | |

LETTER FROM THE BOARD

B. Investments in the expansion of the charging equipment for electric vehicles business

Approximately HK\$75.32 million (representing approximately 40.0% of the net proceeds) will be applied for investments in the expansion of the charging equipment for electric vehicles business in Tangshan City by the end of 2024, the details and expected timeline of which are set out as follows:

| | | Proposed amount of net proceeds allocated (RMB million) | Approximate % | Expected timeline |
|---|---|--|---------------|--------------------|
| 1 | Expansion of production line and machineries | 57.84 | 30.7% | By the end of 2023 |
| 2 | Research and development costs on power-replacing and energy storage technologies | 7.71 | 4.1% | By the end of 2024 |
| 3 | Optimising sales channel by expanding the sales team | 7.71 | 4.1% | By the end of 2024 |
| 4 | Others | 2.06 | 1.1% | By the end of 2024 |
| | Total | <u>75.32</u> | <u>40.0%</u> | |

The net issue price per Subscription Share will be approximately HK\$0.332 per Subscription Share.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had a total of 925,056,000 Shares in issue and 67,130,000 outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company on 18 December 2020, and the Company had no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares. Among the 67,130,000 outstanding share options, 12,310,000 share options were exercisable as at the Latest Practicable Date and 54,820,000 share options will would become exercisable on or after 1 June 2023.

LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and all outstanding share options are fully exercised).

| Shareholders | As at the Latest Practicable Date | | Immediately upon allotment and issue of the Subscription Shares | | Immediately upon allotment and issue of the Subscription Shares (assuming all outstanding share options are fully exercised) | |
|--|-----------------------------------|----------------------|---|----------------------|--|----------------------|
| | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> |
| | | | | | | |
| The Subscriber and parties acting in concert with it | - | - | 566,970,000 | 38.00 | 566,970,000 | 36.37 |
| The Controlling Shareholder Group: | | | | | | |
| – Mr. Li Xin Qing (<i>Note 1</i>) | 200,000 | 0.02 | 200,000 | 0.01 | 800,000 | 0.06 |
| – Rich Talent Management Limited (<i>Notes 1, 2 and 4</i>) | 7,985,418 | 0.86 | 7,985,418 | 0.54 | 7,985,418 | 0.51 |
| – Genius Mind Enterprises Limited (<i>Note 3</i>) | 197,724,457 | 21.38 | 197,724,457 | 13.25 | 197,724,457 | 12.68 |
| – Mr. An Wei (<i>Note 4</i>) | 400,000 | 0.04 | 400,000 | 0.03 | 1,000,000 | 0.06 |
| – Great Passion International Limited (<i>Notes 4 and 5</i>) | 187,884,457 | 20.31 | 187,884,457 | 12.59 | 187,884,457 | 12.05 |
| – Honor Boom Investments Limited (<i>Note 6</i>) | 82,458,117 | 8.91 | 82,458,117 | 5.53 | 82,458,117 | 5.29 |
| – Mr. Li Xiao Bin | - | - | - | - | 3,740,000 | 0.24 |
| – Mr. Ou Yang Fen | - | - | - | - | 3,500,000 | 0.22 |
| Sub-total of the Controlling Shareholder Group | 476,652,449 | 51.52 | 476,652,449 | 31.95 | 485,092,449 | 31.11 |
| Public Shareholders | 448,403,551 | 48.48 | 448,403,551 | 30.05 | 507,093,551 | 32.52 |
| | 925,056,000 | 100.00 | 1,492,026,000 | 100.00 | 1,559,156,000 | 100.00 |

LETTER FROM THE BOARD

Notes:

1. Mr. Li Xin Qing is the Chairman of the Board and an executive Director.
2. Rich Talent Management Limited is held as to 50% by Mr. Li Xin Qing and as to 50% by Mr. An Wei.
3. Genius Mind Enterprises Limited is wholly-owned by Mr. Li Xin Qing.
4. Mr. An Wei is an executive Director and the Chief Executive Officer of the Company.
5. Great Passion International Limited is wholly-owned by Mr. An Wei.
6. Honor Boom Investments Limited is owned by Mr. Li Xiao Bin as to 40%, Ms. Ou Yang Fen as to 30% and Mr. Cui Jian as to 30%.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it owned, controlled or directed any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

Upon Completion, the Subscriber will hold 566,970,000 Shares, representing approximately 38.00% of the enlarged issued share capital of the Company (assuming there is no other change in the issued share capital of the Company save for the allotment and issue of the Subscription Shares pursuant to the Subscription).

Under Rule 26.1 of the Takeovers Code, upon the allotment and issue of the Subscription Shares at Completion, the Subscriber would 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 the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive.

In this regard, an application has been made to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the EGM by way of poll.

LETTER FROM THE BOARD

The Whitewash Waiver may or may not be granted by the Executive. Completion is conditional upon (unless waived by the Subscriber), among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Subscriber and the Company have agreed that if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, they will negotiate in good faith to find a practical solution to proceed with the Completion. The Subscriber may, in its sole discretion and if it is ready to make a mandatory general offer in compliance with the Takeovers Code, elect to waive the relevant conditions to the Subscription and proceed with the Subscription in the absence of the Whitewash Waiver and upon Completion, the Subscriber will be obliged to make a mandatory general offer for the relevant securities of the Company not already owned by the Subscriber and parties acting in concert with it. Relevant announcement(s) will be made by the Company in compliance with the Listing Rules and the Takeovers Code as and when appropriate.

COMMENCEMENT OF OFFER PERIOD

Given that the Subscriber reserves the right to waive the conditions precedent relating to the Whitewash Waiver under the Subscription Agreement, the offer period (as defined under the Takeovers Code) commenced on the date of the Announcement.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee

An Independent Board Committee, comprising all three (3) independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng, in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver are fair and reasonable and on how to vote at the EGM. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate) and/or the Whitewash Waiver.

Appointment of the Independent Financial Adviser

Innovax Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. The appointment of Innovax Capital Limited has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 12 December 2022 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among other matters, (a) the Subscription Agreement and transactions contemplated thereunder; (b) the granting of the Specific Mandate; and (c) the Whitewash Waiver. The voting in relation to resolutions to be proposed at the EGM will be conducted by way of a poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, 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 and transfer office 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 or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

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. An announcement on the results of the vote by poll will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules and the Takeovers Code.

Save for the two executive Directors, namely Mr. Li Xin Qing and Mr. An Wei, who have been involved in the negotiation of the Subscription Agreement and the companies controlled by each of them and Honor Boom Investments Limited which is, together with the aforementioned, a member of the Controlling Shareholder Group, no Shareholder is interested in or involved in the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder, and will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the EGM. As such, the Controlling Shareholder Group will abstain from voting at the EGM.

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, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder; 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, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

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 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 resolution(s) to be proposed at the EGM.

Independent Shareholders are reminded to review the letter from the Independent Board Committee and the letter from the Independent Financial Adviser which are included in this circular.

GENERAL

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

Since Completion is subject to the fulfillment of the conditions as set out in the Subscription Agreement, the Subscription may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Subscriber and the Company have agreed that if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, they will negotiate in good faith to find a practical solution to proceed with the Completion. The Subscriber may, in its sole discretion and if it is ready to make a mandatory general offer in compliance with the Takeovers Code, elect to waive the relevant conditions to the Subscriptions and proceed with the Subscription in the absence of the Whitewash Waiver and upon Completion, the Subscriber will be obliged to make a mandatory general offer. Relevant announcement(s) will be made by the Company in compliance with the Listing Rules and the Takeovers Code as and when appropriate.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully,

By order of the Board

China Titans Energy Technology Group Co., Limited

Li Xin Qing

Chairman

In this circular, amounts quoted in RMB have been converted into HK\$ at the rate of HK\$1 = RMB0.90559, based on the central parity rate of RMB against HKD on 18 October 2022 as announced by the State Administration of Foreign Exchange. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute representation that any amounts were or may have been exchanged at such rate or any other rates.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



China Titans Energy Technology Group Co., Limited 中國泰坦能源技術集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2188)

18 November 2022

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 18 November 2022 (the “Circular”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

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 Specific Mandate) as well as the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular, are fair and reasonable and on how to vote at the EGM.

Innovax Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed 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 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 27 to 61 of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the 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 and the transactions contemplated thereunder (including the Specific Mandate), and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

Mr. Li Wan Jun Mr. Pang Zhan Mr. Li Xiang Feng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Innovax Capital Limited 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 the Circular.



Innovax Capital Limited
Unit B, 13/F,
Neich Tower,
128 Gloucester Road,
Wan Chai, Hong Kong

18 November 2022

To: Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND 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 the Subscription and the Whitewash Waiver are set out in the circular of the Company dated 18 November 2022 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 October 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 566,970,000 Subscription Shares at the Subscription Price of HK\$0.34 per Subscription Share for a total consideration of HK\$192,769,800.

As at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it owns, controls or directs any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares. Assuming that there is no change in the issued share capital of the Company since the Latest Practicable Date up to Completion other than the allotment and issue of the Subscription Shares, upon Completion, the Subscriber will be interested in 566,970,000 Shares, which represent (i) approximately 61.29% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 38.00% of the then issued share capital of the Company as enlarged by the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under Rule 26.1 of the Takeovers Code, upon the allotment and issue of the Subscription Shares at Completion, the Subscriber would 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 the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive. In this regard, an application has been made to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50%, respectively of votes cast by the Independent Shareholders at the EGM by way of poll.

Pursuant to Rule 2.8 of the Takeovers Code, an Independent Board Committee comprising all three (3) independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng, has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver are fair and reasonable and on how to vote at the EGM. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate) and/or the Whitewash Waiver.

We, Innovax Capital Limited, have been appointed as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. The appointment of Independent Financial Adviser has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, we did not have any relationships or interests in the Company or the Subscriber that could reasonably be regarded as relevant to the independence of Innovax Capital Limited. During the past two years immediately preceding and up to date of our appointment as the Independent Financial Adviser in respect of the Subscription and the Whitewash Waiver, we have not entered into any engagement with the Group, the Subscriber or parties acting in concert with them. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we have or will receive any fees or benefits from the Group, the Subscriber, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Subscription and the Whitewash Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on (i) information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management (“**Management**”) of the Group; and (iv) our review of the relevant public information. We have also sought and received confirmations from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and give advice and recommendations set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have also assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and 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, and that the Independent Shareholders will be informed as soon as possible if we become aware of any material change to such information provided and representations made, or if there is any change to our opinion.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Company or the Subscriber or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Subscription

Information of the Company and the Subscriber

The Company

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; and (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer (BOT) arrangements, in the PRC.

The Subscriber

The Subscriber, 唐山國控科創有限公司 (Tangshan Guokong Science and Technology Limited*), a company established in the PRC with limited liability, is indirectly wholly-owned by 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*), a PRC government body as at the Latest Practicable Date.

The Subscriber is principally engaged in digital information, new energy and environmental protection, finance, logistics and trading and conducts large-scale investment and financing in various industries related to its principal businesses.

Financial information of the Group

The following table is a summary of the financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 ("FY2019", "FY2020" and "FY2021", respectively) and for the six months ended 30 June 2021 and 2022 ("1H2021" and "1H2022", respectively) as extracted from the annual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reports of the Company for the years ended 31 December 2020 (the “**Annual Report 2020**”) and 31 December 2021 (the “**Annual Report 2021**”) and for the six months ended 30 June 2021 and 2022 as extracted from the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”):

| | Year end 31 December | | | Six months ended 30 June | |
|--|----------------------|----------------|--------------------------|--------------------------|----------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (audited) | (audited) | (audited) | (unaudited) | (unaudited) |
| Revenue | | | | | |
| - Electric direct current (“DC”) products | 133,064 | 115,788 | 124,586 | 49,217 | 46,119 |
| - Charging equipment for electric vehicles | 144,915 | 138,547 | 186,505 | 70,725 | 67,973 |
| - Construction under BOT arrangements | 1,292 | - | - | - | - |
| - Charging services for electric vehicles | 18,200 | 18,836 | 25,696 | 12,481 | 11,084 |
| - Others source | 3,743 | 2,421 | 557 | 241 | 69 |
| Total | 301,214 | 275,592 | 337,344 | 132,664 | 125,245 |
| Profit/(loss) for the year/period attributable to owners of the Company | | | | | |
| | (47,603) | (29,622) | 18,595 | (9,504) | (11,037) |
| | | | As at 31 December | | As at 30 June |
| | 2019 | 2020 | 2021 | | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | | <i>RMB'000</i> |
| | (audited) | (audited) | (audited) | | (unaudited) |
| Non-current assets | 298,673 | 277,359 | 255,425 | | 242,880 |
| Current assets | 580,091 | 549,081 | 611,007 | | 657,910 |
| Current liabilities | 246,083 | 254,706 | 282,155 | | 313,677 |
| Non-current liabilities | 88,337 | 66,841 | 61,358 | | 77,681 |
| Net current assets | 334,008 | 294,375 | 328,852 | | 344,233 |
| Net assets | 544,344 | 504,893 | 522,919 | | 509,432 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2020 and FY2019

The Group recorded revenue of approximately RMB275.6 million for FY2020, representing a decrease of approximately 8.5% as compared to that of RMB301.2 million for FY2019. According to the Annual Report 2020, such decrease was mainly due to the outbreak and control of the novel coronavirus epidemic during the year, which not only weakened economic activity in the market, but also put pressure on the supply, production and sales of the Group's major products, resulting in a decline in the Group's overall revenue for FY2020. Among which revenue from electric DC products decreased from approximately RMB133.1 million for FY2019 to approximately RMB115.8 million for FY2020, representing a decrease of approximately 13.0%; revenue from charging equipment for electric vehicles decreased from approximately RMB144.9 million for FY2019 to approximately RMB138.5 million for FY2020, representing a decrease of approximately 4.4%; revenue from charging services for electric vehicles increased from approximately RMB18.2 million for FY2019 to approximately RMB18.8 million for FY2020, representing an increase of approximately 3.5%; and other source decreased from approximately RMB3.7 million for FY2019 to approximately RMB2.4 million for FY2020, representing a decrease of approximately 35.3%.

Net loss attributable to owners of the Company for FY2020 was approximately RMB29.6 million as compared to that of RMB47.6 million for FY2019, representing a decrease of approximately RMB18.0 million. According to Annual Report 2020, such significant decrease in net loss was mainly due to: (1) reversal of impairment losses on loan receivables; and (2) proceeds from disposal of associates.

As at 31 December 2020, the Group recorded net current assets and net assets of approximately RMB294.4 million and RMB504.9 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2021 and FY2020

The Group recorded revenue of approximately RMB337.3 million for FY2021, representing an increase of approximately 22.4% as compared to that of RMB275.6 million for FY2020. According to the Annual Report 2021, such an increase in revenue was primarily due to the increase in revenue from electric DC products, charging equipment for electric vehicles and charging services for electric vehicles. Revenue from electric DC products increased from approximately RMB115.8 million for FY2020 to approximately RMB124.6 million for FY2021, representing an increase of approximately 7.6%, according to the Annual Report 2021, the Directors considered that the main reason for the increase in revenue was that in the post-epidemic era, the market demand for electrical DC products grew, and that the production, manufacturing, and sales of this business have gradually returned to pre-epidemic levels. Revenue from charging equipment for electric vehicles increased from approximately RMB138.5 million for FY2020 to approximately RMB186.5 million for FY2021, representing an increase of approximately 34.6%, according to the Annual Report 2021, the Directors considered that during FY2021, the overall domestic investment confidence rallied from the previous year, and that the demand for charging equipment projects across China continuously grew, resulting in an increase in the Group's revenue. Revenue from charging services for electric vehicles increased from approximately RMB18.8 million for FY2020 to approximately RMB25.7 million for FY2021, representing an increase of approximately 36.4%, according to the Annual Report 2021, the Directors considered that the increase in revenue from electric vehicle charging services was mainly due to: (1) the increase in the sales volume of new energy vehicles in China fueled the rapid growth of the demand for charging services; and (2) the franchisee cooperation model developed by the Group for charging operation enjoys an increasingly mature development. Revenue from other source decreased from approximately RMB2.4 million for FY2020 to approximately RMB0.6 million for FY2021, representing a decrease of approximately 77.0%.

Net profit attributable to owners of the Company for FY2021 was approximately RMB18.6 million as compared to net loss of RMB29.6 million for FY2020. According to Annual Report 2021, such significant improvement of the Group's profitability was mainly due to: (1) the increase in gross profit resulting from the increase in revenue for FY2021; and (2) proceeds from disposal of equity interest in associates of the Group in FY2021.

As at 31 December 2021, the Group recorded net current assets and net assets of approximately RMB328.9 million and RMB522.9 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between 1H2022 and 1H2021

The Group recorded revenue of approximately RMB125.2 million for 1H2022 representing a decrease of approximately 5.6% as compared to that of approximately RMB132.7 million for 1H2021. According to Interim Report 2022, such decrease was due to the sporadic spread of epidemic in many regions in China during 1H2022, delivery was delayed and led to a decrease in revenue.

Net loss attributable to owners of the Company for 1H2022 was approximately RMB11.0 million as compared to net loss of RMB9.5 million for 1H2021, representing an increase of approximately 16.1%. According to Interim Report 2022, the increase in loss was mainly due to decrease in revenue of products such as electrical DC products and equipment for electric vehicles during the relevant period and other comprehensive factors.

As at 30 June 2022, the Group recorded net current assets and net assets of approximately RMB344.2 million and RMB509.4 million, respectively.

Reasons for and benefits of the Subscription

As stated in the Letter from the Board, in recent years, in order to achieve the “carbon neutrality and carbon peak” policy, the PRC national strategy is to accelerate the construction and development of new electrical power system with focus on the new energy, support the development of the green and low-carbon industry and new energy vehicle industry. The strategy also promotes the development of infrastructure for electric vehicle battery charging and replacing, energy storage, and ancillary power grids in an orderly manner.

The Company has been committed to the research and development of power electronics, automatic control and software technology for many years. Leveraging on its Direct Current (DC) power supply, electric vehicle battery charging and replacing system, energy storage, power quality management and other product series, the Company has achieved a stable market position and remarkable business reputation among the industries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With the above-mentioned macro environment and the direction and implementation of the policies, the Group's various products and businesses may embrace the rapid and continuous growing market opportunities. Meanwhile, the Group has been planning to expand and strengthen its existing business and seek new business development opportunities in order to enhance the shareholders' return. In order to seize the opportunities arising from the rising demand for new energy and low-carbon solutions and achieve rapid growth in the sales of the Company's products including but not limited to Direct Current (DC) power supply and electric vehicle battery charging and replacing system, the Company has to seek financial and market resources during the process of its business expansion. To maintain the Company's stable market position and remarkable business reputation in the industry (the Company has been recognized as, among others, "**Top 10 Brands of Charging Facilities Industry in China**" by State Grid Electric Mobility Expo Organising Committee 2020 in 2020, "**Top 10 Brands of Charging and Battery Swap Industry in China**" and "**Top 50 Companies of Charging and Battery Swap Industry in China**" by the 7th Global Conference for Electric Vehicles Charging and Battery Swap Industry in 2021 and has been recognized as 中國馳名商標 (China Well-known Trademark*) since 2012), the Company plans to continue to invest in research and development and streamline its management and operations to achieve the medium-term goal of becoming a comprehensive service provider of new energy solutions.

Although the Company's business development has been stable, business volume has not grown significantly. The Board believes that the main reasons for not recording significant growth in its business are mainly attributable to (i) the stand-alone projects and the non-recurring nature of the customers; and (ii) the non-standardization and engineering characteristics of the Company's products resulted in the slower collection of accounts receivable due to the fact that products of the Company, particularly for use in power generation or transmission sectors, may have to be altered or customized according to the specifications of the power generation units or transforming stations and delay may occur during the construction or inspection process of the projects. Such characteristics of products limits the Company's financial flexibility for business development in new products, new markets, and new sales channels. On the other hand, as competition in the new energy industry intensifies, the Company must act fast in order to take advantage of the aforementioned business opportunities. In order to achieve this, the Company has imminent needs to seek (i) financial resources in order to continue to invest and expand its business; and (ii) market resources such as cooperation with strategic investors and/or business partners who are state-owned institutions in order to monitor market developments in a timely manner. The Directors consider that the Subscription will expand the Company's shareholder base, and, as a result of which, to further strengthening the market's confidence in the development of the Company in long run.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Recent financial performance

According to the 2018 Annual Report, 2019 Annual Report, 2020 Annual Report and 2021 Annual Report, the Group recorded losses of attributable to the owners of the Company approximately RMB40.2 million, RMB47.6 million and RMB29.6 million for the three years ended 31 December 2018, 2019 and 2020 respectively. The loss for the year ended 31 December 2018 was mainly due to: (1) the decrease in revenue of key products compared with the previous year; (2) the significant increase in loss on disposal of available-for-sale financial assets during the year; and (3) the significant increase in agency fees in relation to the disposal of available-for-sale financial assets during the year, the increase in loss for the year ended 31 December 2019 was mainly due to: (1) the loss from the value change of available-for-sale financial assets at fair value through profit or loss held during the year; and (2) impairment losses on loan receivables, and the significant decrease in loss for the year ended 31 December 2020 was mainly due to: (1) reversal of impairment losses on loan receivables; and (2) proceeds from disposal of associates. The Group has been loss making for three consecutive years since 2018, though it recorded profit attributable to the owners of the Company of approximately RMB18.6 million for the year ended 31 December 2021 due to: (1) the increase in gross profit arising from growth in revenue during the year; and (2) proceeds from disposal of equity interest in associates, the Group again recorded loss attributable to the owners of the Company of approximately RMB11.0 million for the six months ended 30 June 2022 and a decrease in revenue of approximately 5.6% as compared with the same period in 2021. It is uncertain whether the Group will be able to turnaround to a profit-making position in 2022.

As disclosed in the 2022 Interim Report, as at 30 June 2022, total assets of the Group amounted to approximately RMB900.8 million, with current assets of approximately RMB657.9 million and non-current assets of approximately RMB242.9 million. Current assets mainly included trade receivables of approximately RMB304.0 million, inventories of approximately RMB157.3 million and bank balances and cash of approximately RMB73.1 million, which represented approximately 46.2%, 23.9% and 11.1% of the current assets, respectively.

As at 30 June, 2022, total liabilities of the Group amounted to approximately RMB 391.4 million, with current liabilities of approximately RMB313.7 million and non-current liabilities of approximately RMB77.7 million. Current liabilities mainly included trade and bill payables of approximately RMB151.3 million and bank and other borrowings of approximately RMB99.7 million, which represented approximately 48.2% and 31.8% of the current liabilities, respectively. Net current assets and net assets amounted to approximately RMB344.2 million and approximately RMB509.4 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned above, in order to maintain the Company's stable market position and remarkable business reputation in the industry (the Company has been recognized as, among others, "Top 10 Brands of Charging Facilities Industry in China" by State Grid Electric Mobility Expo Organising Committee 2020 in 2020, "Top 10 Brands of Charging and Battery Swap Industry in China" and "Top 50 Companies of Charging and Battery Swap Industry in China" by the 7th Global Conference for Electric Vehicles Charging and Battery Swap Industry in 2021 and has been recognized as 中國馳名商標 (China Well-known Trademark*) since 2012) and face the intensified competition of the new energy industry as well as achieve the medium-term goal of becoming a comprehensive service provider of new energy solutions, the Company has to invest and expand its business to maintain its competitiveness of its products. Although the Group was in net current assets position with approximately RMB304.0 million in trade receivables and approximately RMB73.1 million in bank balances and cash as at 30 June 2022, collection of trade receivables were slower due to the non-standardization and engineering characteristics of the Company's products and the Group also had bank and other borrowings of approximately RMB99.7 million (which were repayable with 12 months) and trade and bills payables of approximately RMB151.3 million. In order to satisfy its internal financial obligations, support its daily operation and its plan to expand the Group's business, the Company has imminent needs to financial resources and the Directors consider that the Subscription can provide the Company with the funds required as well as expand its shareholder base and further strengthening the market's confidence in the development of the Company in long run.

Industry overview

2021 marked the beginning of China's 14th Five-Year Plan and launch of a framework for both "carbon neutrality" and "carbon peaking" as well. China explicitly raised a proposal on speeding up the establishment of a new power system that comprised new energy as the main component, vigorously developing the green and low-carbon industries, accelerating the development of the strategic emerging industries like new energy vehicles, and carrying out infrastructure construction such as charging piles and ancillary power grids in an orderly manner.

In 2021, China resolutely implemented the stability-based development strategy and coordinated epidemic prevention and control and economic and social development in a holistic way, enabling the domestic economy to operate within a reasonable range and maintaining a steady recovery. Particularly, the outline of development plan guided by the "carbon peak and neutrality" policy and the 14th Five-Year Plan has been communicated to all parts of the country and has become an important driving force for the vigorous development of the new energy industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As an integral part of the above development plan, the new energy vehicle industry made remarkable progress during the year. According to the data released by the China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles in China increased year on year by 159.5% and 157.5% to approximately 3,545,000 and 3,521,000, respectively, in 2021. Such data shows that the development of new energy vehicles has shifted from policy driven to market driven, demonstrating a good momentum with an improvement in both market scale and development quality. The charging infrastructure, which is inseparable from new energy vehicles, was also booming in the period. According to the data released by the China Electric Vehicle Charging Infrastructure Promotion Alliance, in 2021, China's charging infrastructure increased by 936,000 units, including 340,000 public charging piles, as the EV charging demand continues to grow rapidly.

According to the data released by China Association of Automobile Manufacturers, in the first nine months of 2022, the cumulative production and sales of new energy vehicles reached approximately 4.7 million and 4.6 million, a year-on-year increase of approximately 1.2 times and 1.1 times from approximately 2.2 million and 2.2 million respectively. According to China Association of Automobile Manufacturers, production and sales of new energy vehicles were also affected by the epidemic in the first half of the year, various companies attached great importance to new energy vehicle products, and their supply chain resources were prioritized to focus on new energy vehicles. Towards the end of the second quarter and in the third quarter of 2022, with the directives issued by the Party Central Committee and the State Council in relation to the control of epidemics and stabilization of economy taken effect, production and sales of automobile industry, including the new energy vehicles industry, continued to recover. In addition, according to relevant data as of the end of June 2022 released by China Electric Vehicle Charging Infrastructure Promotion Alliance, the number of domestic charging infrastructure increased by 1,301,000, of which 381,000 were public charging infrastructure, representing a year-on-year increase of 228.4%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown from the data above, China's new energy vehicles maintained continuous rapid growth despite the negative effects from the epidemic, chip shortage and lithium price rise. The industrial supply chain ecosystem of new energy vehicles also provides strong support for the growth of the industry. With excellent performance, competitive new electric vehicles and enhancing user-friendly environment, China's new energy vehicle industry has entered into a state mainly driven by the market.

In January 2022, the National Development and Reform Commission and other ministries and commissions jointly issued the Implementation Opinions on Further Improving the Service Capacity of Electric Vehicle Charging Infrastructure (NDRC Energy Regulation [2022] No. 53). The document clearly states that by the end of the 14th Five-Year Plan period, China's electric vehicle charging capacity should be further improved to form a moderately advanced, balanced, intelligent and efficient charging infrastructure system that can meet the charging needs of more than 20 million electric vehicles. It shows that the demand for charging infrastructure will continue to grow.

In order to better promote the construction of electric vehicle charging infrastructure, the central and local governments have continuously introduced various supporting measures. In July 2022, the Ministry of Housing and Urban-Rural Development and the National Development and Reform Commission issued the notice of Urban Infrastructure Construction Plan under the 14th Five-Year Plan (hereinafter, the "Plan"). The Plan explicitly states that new parking spaces shall allow sufficient room for the construction and installation of charging facilities. For old residential areas with insufficient parking spaces and difficulties in increasing power capacity, charging poles are encouraged to be built in public parking areas. The Plan specifies that it shall strengthen the construction of new energy vehicle charging and battery swap facilities, accelerate the formation of an urban public charging network for new energy vehicles based on fast charging services, and provide information services for new energy vehicle charging and battery swap infrastructure. The Plan specifies that intelligent urban infrastructure shall be constructed and upgraded. It is expected that over 60 new energy vehicle charging and battery swap stations and a total of 1.5 million public charging facilities will be built.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The New Energy Vehicle Industry Development Plan (2021-2035) (“**the Plan 2021-2035**”) issued by the General Office of the State Council explicitly proposes to improve the industry development environment, promote the high-quality and sustainable development of China’s new energy vehicle industry, and accelerate the construction of an automobile power. By 2025, the sales volume of new energy vehicles is expected to account for approximately 20% of the total sales volume of vehicles. By 2035, battery electric vehicles will become the mainstream of auto sales, and vehicles in the public sector will be fully electrified. It can be seen that electric vehicles will continue to grow rapidly. Plan 2021-2035 is meant to position China to effectively meet future demand for autonomous, connected, electrified, and shared mobility. Its three overarching goals are to: (i) form a globally competitive auto industry with advanced new energy vehicle technologies and good brand reputation; (ii) transition to an energy-efficient and low-carbon society with a convenient charging service network and battery electric vehicles as the mainstream in sales; and (iii) improve national energy security and air quality, mitigate climate change, and stimulate economic growth in the automobile, energy, transportation, and information and communications industries. Additionally, Plan 2021-2035 sets specific targets for new energy vehicle market development, technology advancement, and the build up of supporting services in the near, mid, and longer terms.

Support from the Tangshan government

The Subscriber is located in Tangshan City, which is the main industrial hub for ports, steel, logistics and transportation and heavy machinery and equipment. In accordance with the national goals of dual carbon policy, new energy vehicle development strategy and circular economy (an economic model to maximize resource use and product lifecycle and encourage sustainability and green innovation) development strategy, Tangshan City has always focused on new energy industry development. Currently, Tangshan City is a key representative of the abovementioned circular economy and one of three cities in the country focusing on electrification of heavy-duty trucks. As a state-owned platform, the Subscriber will become the main driver of Tangshan City to achieve the above national goals. The Subscriber has the capital resources to achieve the above national goals, but require the Company’s expertise on product development, technologies and project implementation plans. The Board believes that the Subscriber represents a solid strategic investor to the Company and will contribute resources and expertise during its future cooperation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the Subscriber becomes the Controlling Shareholder, the Company will become an enterprise indirectly owned as to 38% by the Tangshan municipal government. Thus, the Company would be able to enjoy various supports from the local government (including but not limited to capital, market and financial resources and taxation related supports). Due to the above business opportunities in Tangshan City and the Beijing-Tianjin-Hebei region and the potential benefits from working with the Subscriber as a business partner (such as cooperation with business partner who is state-owned institution can monitor market development in a timely manner and further strengthen the market's confidence in the development of the Company), the Board believes that the Company has imminent needs and it is beneficial to introduce the Subscriber as the Controlling Shareholder.

After Completion, the Company intends to expand its business by, with the support of the Tangshan City government, using the capital and resource advantages of the Subscriber to carry out the construction and operation of electric vehicle charging and power-replacing stations. The Company also plans to expedite the development of new energy storage, power quality management and other new technologies to cope with the local industrial planning and policies of Tangshan City; and utilizing the Company's geographical advantages in Tangshan City to gradually extend its business to other areas in Beijing-Tianjin-Hebei region.

The Directors believe that the Subscription is crucial to the Group's future market expansion, and enhancement of its market position and business image. In the meantime, the synergy effect of the Company and the Subscriber will bring significant support and assistance to the Company's long-term and stable development.

By carrying out the business expansion plans as stated above, the Company will be able to expand the Company's business scale and enhance the business image of the Company. In particular, the implementation of the Company's projects on the construction and operation of electric vehicle charging and power-replacing stations in Tangshan City and Beijing-Tianjin-Hebei region will create a chance for the Company to become one of the leading service providers of charging and power-replacing facilities in the region. This will also stimulate the growth of the Company's sales in its equipment manufacturing segment and increase the Company's market share towards a leading position in the PRC.

Upon Completion, the Company plans to cooperate with the Subscriber and its local government on certain projects, including, among others, business projects on the electrification of heavy duty trucks, franchise rights to operate the electric vehicle charging and power-replacing stations and business projects on the construction of government-led new energy charging and power-replacing stations. However, all these projects are subject to further negotiations with the Subscriber and the relevant parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board believes and based on the above we concur that, the above-mentioned relevant synergy will beneficially enhance the Group's performance, market position and business image, and at the same time, provide a foundation for the Company's long-term and stable development.

Other fundraising alternatives

Upon enquiry with the Management of the Company, we understand that the Company has considered various means of fundraising such as debt financing from banks or other financial institutions and other forms of equity financing before resolving to the Subscription. With respect to debt financing, considering that any debt financing will further increase the debt level of the Group, and taking into account the additional interest expenses and the requirement of security charged by banks or other financial institutions, as well as further increasing the financial risks of the Group by incurring finance cost, the Company has considered that debt financing may not be the most preferable financing option. As regards equity financing such as placing which would only be conducted on a best-effort basis, may impose uncertainty on the final amount of proceeds to be raised and subject to market condition. With respect to any rights issue or open offer fund raising exercises on a fully-underwritten basis, considering the relatively lengthy process to prepare and issue a prospectus and identify a suitable underwriter and the issuance costs of the prospectus and additional underwriting fee involved which would normally depend on the amount of fund raised, while in contrast, the Subscription would allow the Group to raise the necessary fund with certainty without incurring additional expenses, the Company is of the view that, and we concur, that the Subscription is the most preferable financing option under the current circumstances.

The gross proceeds to be raised from the Subscription is HK\$192,769,800. The net proceeds after deducting all relevant costs and expenses of the Subscription are estimated to be approximately HK\$188.3 million, of which approximately HK\$94.1 million (representing approximately 50% of the net proceeds) will be applied for investments in the expansion of the charging services for electric vehicles business; approximately HK\$75.3 million (representing approximately 40% of the net proceeds) will be applied for investments in the expansion of the charging equipment for electric vehicles business; and approximately HK\$18.8 million (representing approximately 10% of the net proceeds) will be applied for general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned above, the Company must act fast in order to take advantage of the business opportunities in relation to the new energy industry, which is characterized by high capital intensity and continuously research and development efforts in Tangshan City and Beijing-Tianjin-Hebei region. Based on the estimation of the Company, approximately 50% of the net proceeds will allow the Company to invest and operate (including repair and maintenance costs) around nine general-scale charging and power-replacing stations (focusing on heavy-duty truck power-replacing) by 2025. In order to achieve the goal of becoming a market leader in the charging and power-replacing stations market, the Company aims to build more stations than that, but plans to use the part of the net proceeds as initial investment and as springboard to future investments. Approximately 40% of the net proceeds will be used to expand the Company's business in charging equipment for electric vehicles by 2024. Investment in the Company's charging equipment segment would include research and development costs on power-replacing and energy storage technologies; expansion of production line and machineries; and optimising sales channel by expanding the sales team. In addition, the Company will use approximately 10% of the net proceeds for general working capital to invest in market promotion capabilities and improve production facilities, and optimize the Group's funding structure. The Board intends to commence the above business expansion plans by early 2023. Hence, the Board consider and we concur that there is an imminent need to raise HK\$192.8 million from the Subscription such that the Company can carry out its business expansion plans in a timely manner.

Having considered (i) the proceeds of the Subscription will be applied for investments in the expansion of the charging services for electric vehicles business and charging equipment for electric vehicles business which are in line with the development strategies of the Group; (ii) the recent financial performance and position of the Group; (iii) the prospect of the new energy vehicle industry in the PRC; (iv) the support from the Tangshan government; and (v) it is not cost-effective for the Group to obtain debt financing and/or carry out other forms of equity financing, we concur with the Directors' view that the Subscription is in the interest of the Company, the Shareholders and the Independent Shareholders as a whole.

2. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement, further details of which are set out in the Letter from the Board contained in the Circular.

Date

18 October 2022

Parties

- (1) The Company; and
- (2) The Subscriber

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 566,970,000 Subscription Shares at the Subscription Price of HK\$0.34 per Subscription Share and at an aggregate Subscription Price of HK\$192,769,800.

The 566,970,000 Subscription Shares represent approximately (i) 61.29% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 38.00% of the enlarged issued share capital of the Company upon Completion (assuming there is no other change in the total number of issued Shares of the Company other than the issue of the Subscription Shares). As 566,970,000 Subscription Shares allows the Company to (i) fulfil its funding needs (taking into account the Subscription Price) and (ii) maintain its public float requirement upon Completion, the Board considers that the number of Subscription Shares of 566,970,000 is fair and reasonable and in the interest of the Company and its Shareholders as a whole. The aggregate nominal value of the Subscription Shares is HK\$5,669,700.

Ranking

The Subscription Shares will rank equally in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions of the Subscription

The Subscription is conditional upon satisfaction of the following conditions at or prior to 6 p.m. on the Long Stop Date:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares to be allotted and issued;
- (b) the passing of the necessary resolution by the Independent Shareholders at the duly convened EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate for the allotment and issue of the Subscription Shares;
- (c) the passing of the necessary resolution by the Independent Shareholders at the duly convened EGM to approve the Whitewash Waiver by special resolution;
- (d) the Executive granting the Whitewash Waiver to the Subscriber and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (e) all acknowledgements, approvals and consents, having been obtained from third parties for the Subscription Agreement and transactions thereunder, namely (i) the approval or filing required by the competent authority of the State-owned Assets Supervision and Administration Commission in respect of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the approval or filing required by (a) the Development and Reform Commission, (b) the competent commerce authority and (c) the competent foreign exchange authority in respect of overseas investment of domestic enterprises, and all such acknowledgements, approvals and consents remaining in full force and unrevoked;
- (f) the Subscriber having completed due diligence on the legal, financial and business aspects of the Company and the Group and is satisfied with the due diligence results;
- (g) the representations, undertakings and warranties given by the Company in the Subscription Agreement remaining true and accurate in all material respect and not misleading in any material respects, and there having been no material breach of the Subscription Agreement committed by any of the parties to the Subscription Agreement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (h) the listing status of the Company on the Stock Exchange not having been revoked or cancelled, and the Shares remaining trading on the Stock Exchange (except for trading halt(s) not exceeding ten (10) consecutive trading days (or such other relevant period as may be agreed by the Subscriber in writing) or trading halt(s) relating to Subscription and all transactions contemplated under the Subscription Agreement); and the Stock Exchange or the SFC not having indicated that the listing status of the Company will be suspended, cancelled or revoked at any time after Completion;
- (i) there having been no change in the members of the Controlling Shareholder Group of the Company;
- (j) before Completion, there shall not have occurred any of the following situations: (i) any material adverse change in the financial or other positions, or the income, assets, business or operations of the Group; or any development which, is reasonably believed to, possibly lead to such material adverse change; (ii) any governmental action, court order, proceeding, inquiry or investigation rendering the Subscription illegal or to imposing a prohibition or restriction on the Subscription; (iii) any outbreak or escalation of hostilities or terrorist acts in Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any declaration of a state of emergency, war or other disaster or crisis by any of the said jurisdictions; and (iv) any major disruption to the commercial banks, securities settlement or clearing services in Hong Kong, the Mainland China or any other jurisdictions, laws of which are applicable to the Group; or any announcement made by the relevant departments stating that all commercial bank activities have been completely suspended; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (k) each member of the Controlling Shareholder Group that is a holder of voting rights (within the meaning under the Takeovers Code) in the Company on the date thereof** shall sign an irrevocable undertaking in the form of a deed to the satisfaction of the Subscriber and the Controlling Shareholder Group which should take effect on the date when the Subscriber announces a firm intention to make a mandatory general offer and the content shall include: (1) if the Subscriber makes a mandatory general offer in accordance with the Takeovers Code, he/she/it will not accept the offer; (2) at the request of the Subscriber, he/she/it will dispose of a sufficient number of Shares to ensure that the public float of the issued Shares as enlarged by the Subscription is not less than 25% before the close of the mandatory general offer and immediately after the close of the mandatory general offer, provided that the Subscriber will not, and will procure parties acting in concert with it not to, purchase any Shares (whether such Shares are purchased from the Controlling Shareholder Group or not) within six (6) months of the closing of the offer; and (3) he/she/it confirms that he/she/it does not have any special voting arrangements in respect of the Shares that have not been disclosed to the Subscriber, including but not limited to any special arrangement of concert party, voting entrustment etc.

If any of the above conditions precedent cannot be fulfilled, the Subscriber may at its absolute discretion waive conditions (c), (d), (f), (g), (j) and (k) above. If the Subscriber waives condition (k) above, the Company, members of the Controlling Shareholder Group and the Subscriber will take appropriate steps, including but not limited to, the disposal of a sufficient numbers of Shares by the members of the Controlling Shareholder Group, to restore sufficient public float of the Company. The Board shall ensure that the minimum public float requirement under Rule 8.08 of the Listing Rules be maintained. All other conditions are non-waivable, and the Company is not entitled to waive any of the above conditions. In the event that any of the conditions of the Subscription is not fulfilled or waived at or prior to 6 p.m. on the Long Stop Date, the Subscription Agreement will terminate and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach of any obligation and any liabilities under the Subscription Agreement.

** For illustration purpose, based on the holding of voting rights as at the date of this announcement, these are all the members of the Controlling Shareholder Group except Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian who do not hold voting rights in their personal capacity.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the Subscriber waives condition(s) (c) and/or (d), the Subscriber will be required to make a mandatory general offer upon Completion.

As at the Latest Practicable Date, none of the conditions set out above has been satisfied.

The Subscription Price

The Subscription Price of HK\$0.34 per Subscription Share represents:

- (i) the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 3.03% to the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on 18 October 2022, being the date of the Subscription Agreement;
- (iii) a premium of approximately 7.94% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on 17 October 2022, being the date of the last Business Day prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 5.92% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including 18 October 2022 of approximately HK\$0.321 per Share;
- (v) a premium of approximately 4.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including 18 October 2022 of approximately HK\$0.325 per Share;
- (vi) a premium of approximately 2.32% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the one hundred and eighty (180) consecutive trading days up to and including 18 October 2022 of approximately HK\$0.3323 per Share;
- (vii) a discount of approximately 44.26% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.610 per Share as at 31 December 2021, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB510,992,000 (equivalent to approximately HK\$564,264,181) as at 31 December 2021 and 925,056,000 Shares in issue as at the Latest Practicable Date; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(viii) a discount of approximately 42.81% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.5945 per Share as at 30 June 2022, calculated based on the Group's latest unaudited consolidated net assets attributable to the Shareholders of approximately RMB498,005,000 (equivalent to approximately HK\$549,923,254) as at 30 June 2022 and 925,056,000 Shares in issue as at the Latest Practicable Date.

The Subscription Price of HK\$0.34 was arrived at after arm's length negotiations between the Company and the Subscriber taking into account, among others, (i) the financial position of the Group, which the Group recorded audited losses and a decreasing trend in net assets for the three years ended 31 December 2020, but the Group recorded an audited net profit and an increase in net assets for the year ended 31 December 2021; (ii) the recent market conditions in Hong Kong stock market, which the Hang Seng Index dropped from 23,274.75 on 3 January 2022 (being the first trading day in 2022) to 16,612.90 on 17 October 2022 (being the last Business Day prior to the date of the Subscription Agreement); (iii) the volume of the 566,970,000 Subscription Shares, which represented 38.00% of the enlarged issued share capital of the Company upon Completion and the Subscriber will then become the largest Shareholder of the Company; and (iv) the recent decline in the closing prices of the Shares, which decreased by approximately 30.77% from HK\$0.455 on 27 October 2021 to HK\$0.315 on 17 October 2022.

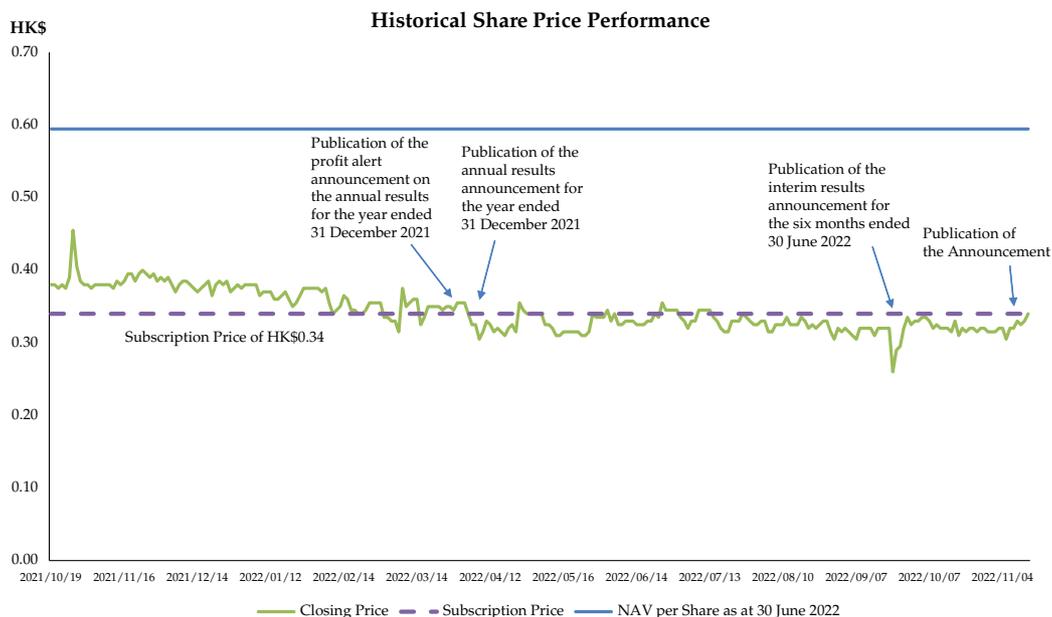
Furthermore, the Directors consider that the Subscription is a valuable opportunity for the Group to bring in a solid strategic investor, namely the Subscriber, which can contribute its resources and expertise in the relevant industries. The Company will benefit from the new business opportunities that the Subscriber may introduce to the Company, considering the scope of operations of the Subscriber in the PRC. The Company will also raise additional funds through the Subscription, which will further improve the financial position and liquidity of the Group, and provide the Company with the financial flexibility necessary for the expansion of its existing business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Evaluation of the Subscription Price

(i) Historical price analysis

The following chart depicts the daily closing price of the Shares as quoted on the Stock Exchange, the Subscription Price and the net assets attributable to the equity Shareholder per Share as at 30 June 2022, during the period from 19 October 2021, being the date falling one year prior to the Announcement, up to and including the Latest Practicable Date (the “**Review Period**”), being a period covering one year which we consider is appropriate for our analysis of the historical Share price performance as it covers a sufficiently long period reflecting the financial results announced by the Company from time to time as well as smoothing out the distortions which may have been caused by short term volatility in the overall stock market:



Source: Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, the closing Share price ranged between HK\$0.26 per Share and HK\$0.455 per Share during the Review Period, with an average closing price of approximately HK\$0.344 per Share. The Subscription Price of HK\$0.34 per Subscription Share lies close to the average of the closing Share price during the Review Period. The Subscription Price represents a premium of approximately 30.8% over the lowest closing Share price, a discount of approximately 25.3% to the highest closing Share price and a slight discount of approximately 1.2% to the average closing Share price during the Review Period.

It is noted that the closing price of the Shares had been trading below the net assets attributable to the equity Shareholder per Share as at 30 June 2022 throughout the Review Period. The average closing price of the Shares during the Review Period of approximately HK\$0.344 represented a discount of approximately 42.1% to the unaudited consolidated net asset value of approximately HK\$0.5945 per Share as at 30 June 2022 and a discount of approximately 43.6% to the audited consolidated net asset value of approximately HK\$0.610 per Share as at 31 December 2021 respectively.

The closing price of the Share surged to a peak of HK\$0.455 in the first few days of the Review Period and started to drop thereafter and the closing price of the Share was at or above the Subscription Price until February 2022. In March 2022, the Share price started to close below the Subscription Price, except that there were few days the Share price closed above the Subscription Price when the profit alert announcement and the annual results announcement for the year ended 31 December 2021 were published. The closing price of the Share then exhibited an overall downward trend and were below the Subscription Price for most of time since April 2022 up to the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Liquidity analysis

Set out below are the number of trading days and the percentage of the Shares' average daily trading volume as compared to the then total number of issued Shares as at the end of the period/month over the twelve-month period prior to the Latest Practicable Date, being a period covering twelve-month which we consider to be a sufficient period of time to provide a general overview on the recent trading volume of the Shares for conducting an analysis:

| Month | Total volume of the Shares traded (Shares) | Number of trading days (days) | Average daily volume (Shares) (Note 1) | Percentage of average daily trading volume over total number of issued Shares (%) (Note 2) | Percentage of average daily trading volume over total number of issued Shares held by public Shareholders (%) (Note 3) |
|--|---|-------------------------------------|---|---|---|
| 2021 | | | | | |
| October | 43,186,000 | 18 | 2,399,222 | 0.26% | 0.68% |
| November | 22,342,000 | 22 | 1,015,545 | 0.11% | 0.29% |
| December | 10,704,000 | 22 | 486,545 | 0.05% | 0.14% |
| 2022 | | | | | |
| January | 12,376,000 | 21 | 589,333 | 0.06% | 0.17% |
| February | 15,124,000 | 17 | 889,647 | 0.10% | 0.25% |
| March | 28,556,000 | 23 | 1,241,565 | 0.13% | 0.35% |
| April | 17,130,000 | 18 | 951,667 | 0.10% | 0.27% |
| May | 9,332,000 | 20 | 466,600 | 0.05% | 0.13% |
| June | 58,944,000 | 21 | 2,806,857 | 0.30% | 0.79% |
| July | 18,370,000 | 20 | 918,500 | 0.10% | 0.26% |
| August | 14,124,000 | 23 | 614,087 | 0.07% | 0.17% |
| September | 17,814,000 | 21 | 848,286 | 0.09% | 0.24% |
| October | 35,476,000 | 20 | 1,773,800 | 0.19% | 0.50% |
| November (up to the Latest Practicable Date) | 9,808,000 | 11 | 891,636 | 0.10% | 0.25% |

Source: Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the respective month/period.
2. For illustrative purpose only, based on total number of Shares in issue at the end of each month/period.
3. For illustrative purpose only, based on total number of issued Shares held by public Shareholders at the end of each month/period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the average daily trading volume of the Shares has been thin from October 2021 to the Last Trading Day. During the period, the average daily trading volume for the respective month or period ranged from approximately 466,600 Shares to approximately 2,806,857 Shares, representing approximately 0.05% to 0.30% of total number of Share in issue.

Given the inactive trading of the Shares which may imply a lack of interest from potential investors to invest in the Shares, thus setting the Subscription Price at a discount to the net asset value per Share could provide more incentive for the Subscriber to participate in the Subscription.

(iii) Comparable companies analysis

In order to assess the fairness and reasonableness of the Subscription Price, we have also conducted an analysis on price-to-earnings ratio (the “**P/E Ratio**”) and price-to-book value ratio (the “**P/B Ratio**”), being two commonly adopted and used benchmarks for appraising the valuation of a company given the P/E Ratio takes into consideration the profitability of the subject company, while the P/B Ratio takes into account the net assets of the subject company. As the Company was in a loss-making position for the six months ended 30 June 2022 and fluctuated over the past three years, the P/E ratio may not be a suitable indicator for assessing the fairness and reasonableness of the Subscription Price. Alternatively, price to sales/revenue ratio (the “**P/S Ratio**”) (calculated by dividing the market capitalisation by the annual sales/revenue prior to the date of the Subscription Agreement) of the Industry Comparables is considered.

In the selection of the comparable companies, our selection criteria focused on companies that (i) are listed on the Main Board of the Stock Exchange as at the date of the Subscription Agreement; (ii) have a market capitalization of not more than HK\$1.5 billion (making reference to the Company’s market capitalization of approximately HK\$291 million as at the date of the Subscription Agreement); and (iii) which are principally engaged in the electric vehicle industry, including the manufacture and sales of electric products, power systems products, charging equipment and batteries for uses in electric vehicles. According to the Annual Report 2021, the manufacturing and sales of charging equipment for electric vehicles and direct current power system products and accounted for approximately 55.3% and 36.9% of the total revenue of the Group for the year ended 31 December 2021 respectively, representing the core businesses of the Group. Based on our research on the website of the Stock Exchange, we have identified only one company. Under the circumstance, we have widened our selection criteria in term of market capitalization and included company with market capitalization of not more than HK\$2.5 billion as at the date of the Subscription Agreement and we have identified two more companies, together with the company we identified earlier, form a list of three companies which are exhaustive based on the above selection criteria (collectively, the “**Industry Comparables**”). Details of the Industry Comparables are set out below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with the Industry Comparables

| Company name (stock code) | Principal activities | Market Capitalisation as at date of the Subscription Agreement (HK\$ million) | Latest | Latest | Latest published annual sales/revenue prior to the date of the Subscription Agreement (HK\$ million) | P/B Ratio (times) | P/S Ratio (times) |
|---|---|---|---|--|--|----------------------|----------------------|
| | | | published annual net profit/(loss) attributable to shareholders prior to the date of the Subscription Agreement (HK\$ million) | published annual net assets/ (liabilities) attributable to shareholders prior to the date of the Subscription Agreement (HK\$ million) | | | |
| 1. Wuling Motors Holdings Ltd (305) | Mainly engaged in the manufacture and sale of vehicles' power supply systems, automotive components, power supply services and commercial vehicles assembly (including new energy vehicles) | 2,440.6 | (26.7) | 2,006.1 | 15,860.3 | 1.2 | 0.2 |
| 2. Chaowei Power Holdings Limited (951) | mainly engaged in the manufacture and sale of lead-acid motive batteries and other related products which are primarily used in electric vehicles | 1,866.0 | 570.1 | 6,407.4 | 32,563.1 | 0.3 | 0.1 |
| 3. Ev Dynamics Holdings Ltd (476) | Mainly engaged in the manufacture and sale of electric vehicles, such as electric buses, entire electric power and control systems for uses in electric vehicles | 333.4 | 408.3 | 1,853.9 | 49.9 | 0.2 | 6.7 |
| | | | | Maximum | | 1.2 | 6.7 |
| | | | | Minimum | | 0.2 | 0.1 |
| | | | | Median | | 0.3 | 0.2 |
| | | | | Average | | 0.6 | 2.3 |
| The Company (Note 1) | | 314.5 | 20.5 | 549.9 | 372.5 | 0.6 | 0.8 |

Source: Stock Exchange (www.hkex.com.hk)

Notes:

1. The implied market capitalisation of the Company was calculated by multiplying the total issued Shares as at the date of the Subscription Agreement by the Subscription Price.
2. For the purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Industry Comparables and the Company denominated in RMB (if applicable and if any) is calculated at the approximate exchange rate of RMB1 to HK\$0.90559 (This exchange rate is based on the central parity rate of RMB against HK\$ on 18 October 2022 as announced by the State Administration of Foreign Exchange. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute representation that any amounts were or may have been exchanged at such rate or any other rates).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The P/S Ratio of the Company as implied by the Subscription Price amounted to approximately 0.8 times. As shown in the table above, the P/S Ratio of the Industry Comparables ranged from approximately 0.1 times to approximately 6.7 times, with an average of approximately 2.3 times and a median of approximately 0.2 times. The P/S Ratio implied by the Subscription Price is within the range and is higher than the median of the P/S Ratio of the Industry Comparables.

The P/B Ratio of the Company as implied by the Subscription Price amounted to approximately 0.6 times. As shown in the above table, the P/B Ratio of the Industry Comparables ranged from approximately 0.2 times to approximately 1.2 times, with an average of approximately 0.6 times and a median of approximately 0.3 times. The P/B Ratio implied by the Subscription Price is within the range of the P/B Ratio, higher than the median and same as the average P/B ratio of the Industry Comparables.

Based on the above and considering that (i) the Subscription Price represents premiums of approximately nil, 3.03%, 7.94%, 5.92%, 4.62% and 2.32% to the closing price per Share on the Latest Practicable Date, the date of the Subscription Agreement, the last Business Day prior to the date of the Subscription Agreement, average closing prices per Share for the period of five, 10 and 180 consecutive trading days up to and including 18 October 2022 respectively, (ii) the Subscription Price is close to the average closing prices of the Shares during the Review Period; (iii) the discount of approximately 42.81% and 44.26% as represented by the Subscription Price over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 and audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2021 respectively are close to the discount of approximately 42.1% and 43.6% represented by the average closing price of the Shares during the Review Period over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 and audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2021 respectively; (iv) the relative inactive trading condition of the Shares; and (v) the implied P/S Ratio and P/B Ratio of the Subscription Price are within the range of and higher than the median of the P/S Ratio and P/B Ratio of the Industry Comparables, we are of the opinion that the Subscription Price was determined on a fair and reasonable basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Potential dilution effect on the shareholdings in the Company

As at the Latest Practicable Date, the Company had a total of 925,056,000 Shares in issue and 67,130,000 outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company on 18 December 2020, and the Company had no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares. Among the 67,130,000 outstanding share options, 12,310,000 share options were exercisable as at the Latest Practicable Date and 54,820,000 share options will become exercisable on or after 1 June 2023.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and all outstanding share options are fully exercised).

| Shareholders | As at the Latest Practicable Date | | Immediately upon allotment and issue of the Subscription Shares | | Immediately upon allotment and issue of the Subscription Shares (assuming all outstanding share options are fully exercised) | |
|---|-----------------------------------|---------------|---|---------------|--|---------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| | | | | | | |
| The Subscribers and parties acting in concert with it | - | - | 566,970,000 | 38.00 | 566,970,000 | 36.37 |
| The Controlling Shareholder Group: | | | | | | |
| - Mr. Li Xin Qing (Note 1) | 200,000 | 0.02 | 200,000 | 0.01 | 800,000 | 0.06 |
| - Rich Talent Management Limited (Notes 1,2 and 4) | 7,985,418 | 0.86 | 7,985,418 | 0.54 | 7,985,418 | 0.51 |
| - Genius Mind Enterprises Limited (Note 3) | 197,724,457 | 21.38 | 197,724,457 | 13.25 | 197,724,457 | 12.68 |
| - Mr. An Wei (Note 4) | 400,000 | 0.04 | 400,000 | 0.03 | 1,000,000 | 0.06 |
| - Great Passion International Limited (Notes 4 and 5) | 187,884,457 | 20.31 | 187,884,457 | 12.59 | 187,884,457 | 12.05 |
| - Honor Boom Investments Limited (Note 6) | 82,458,117 | 8.91 | 82,458,117 | 5.53 | 82,458,117 | 5.29 |
| - Mr. Li Xiao Bin | - | - | - | - | 3,740,000 | 0.24 |
| - Mr. Ou Yang Fen | - | - | - | - | 3,500,000 | 0.22 |
| - Sub-total of the Controlling Shareholder Group | 476,652,449 | 51.52 | 476,652,449 | 31.95 | 485,092,449 | 31.11 |
| - Public Shareholders | 448,403,551 | 48.48 | 448,403,551 | 30.05 | 507,093,551 | 32.52 |
| | 925,056,000 | 100.00 | 1,492,026,000 | 100.00 | 1,559,156,000 | 100.00 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Mr. Li Xin Qing is the Chairman of the Board and an executive Director.
2. Rich Talent Management Limited is held as to 50% by Mr. Li Xin Qing and as to 50% by Mr. An Wei.
3. Genius Mind Enterprises Limited is wholly-owned by Mr. Li Xin Qing.
4. Mr. An Wei is an executive Director and the Chief Executive Officer of the Company.
5. Great Passion International Limited is wholly-owned by Mr. An Wei.
6. Honor Boom Investments Limited is owned by Mr. Li Xiao Bin as to 40%, Ms. Ou Yang Fen as to 30% and Mr. Cui Jian as to 30%.

As shown in the table above, the public Shareholders' shareholdings will be diluted from approximately 48.48% as at the Latest Practicable Date to (i) approximately 30.05% immediately upon allotment and issue of the Subscription Shares and (ii) 32.52% immediately upon allotment and issue of the Subscription Shares (assuming all outstanding share options are fully exercised) respectively.

Notwithstanding the potential dilution of shareholding interest of the Independent Shareholders as a result of the Subscription, in view of (i) the reasons for and benefits of the Subscription to the Group, details of which are set out in the above section headed "Reasons for and benefits of the Subscription"; (ii) the proposed use of proceeds will be primarily applied for investments in the expansion of the charging services for electric vehicles business and the expansion of the charging equipment for electric vehicles business which is in line with the development strategies of the Group; and (iii) the Subscription Price is fair and reasonable, we are of the view that the dilution effect on the shareholding of the Independent Shareholders resulting from the issue of the Subscription Shares is acceptable so far as the Company and the Independent Shareholders are concerned.

4. Possible financial effects of the Subscription

Working Capital

According to the Interim Report 2022, as at 30 June 2022, the cash and bank balances of the Group amounted to approximately HK\$80.7 million. Upon Completion, it is expected that the net proceeds, of approximately HK\$188.3 million from the Subscription will enhance the cash position and therefore the working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gearing ratio

As at 30 June 2022, the Group's gearing ratio was approximately 18.2%, as calculated by dividing borrowings by total assets of the Group according to Interim Report 2022. Upon Completion, the Group's total assets are expected to be increased by the amount of net proceeds from the Subscription and the gearing ratio of the Group is expected to decrease.

Net Asset Value

According to the 2022 Interim Report, the net asset value attributable to the Shareholders was approximately HK\$549.9 million as at 30 June 2022. Upon Completion, it is expected the net asset value will be increased by the amount of net proceeds from the Subscription of approximately HK\$188.3 million and the Subscription is expected to have a positive effect on the net asset value. On a per Share basis, given that the Subscription Price is lower than the net asset value per Share attributable to the Shareholders as at 30 June 2022 of approximately HK\$0.5945 per Share, the net asset value per Share is expected to decrease upon Completion.

Upon Completion we note that the expected net asset value attributable to the Shareholders would be approximately HK\$738.2 million (being the sum of net asset value attributable to the Shareholders as at 30 June 2022 of approximately HK\$549.9 million and the net proceeds from the Subscription of approximately HK\$188.3 million) and the number of issued Shares as at Completion would be 1,492,026,000 Shares (being the sum of the number of issued Shares as at the Latest Practicable Date of 925,056,000 Shares and the number of Subscription Shares of 566,970,000 Shares). Hence, upon Completion, the net asset value per Share attributable to the Shareholders would decrease from approximately HK\$0.5945 per Share to approximately HK\$0.4948 per Share, representing a decrease of approximately 16.8%.

Notwithstanding the decrease in net asset value per Share attributable to the Shareholders of the Company, considering that the Subscription would have an overall positive effect on the financial position of the Group in terms of gearing level, cashflow and net asset value of the Group, we are of the view that the Subscription is in the interests of the Company, the Shareholders and the Independent Shareholders as a whole.

The Independent Shareholders should note that the above expected financial effects are for illustrative purposes only and do not represent how the financial position of the Group will be as a result of the Subscription.

5. The Whitewash Waiver

As at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it owned, controlled or directed any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

Upon Completion, the Subscriber will hold 566,970,000 Shares, representing approximately 38.00% of the enlarged issued share capital of the Company (assuming there is no other change in the issued share capital of the Company save for the allotment and issue of the Subscription Shares pursuant to the Subscription).

Under Rule 26.1 of the Takeovers Code, upon the allotment and issue of the Subscription Shares at Completion, the Subscriber would 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 the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive.

In this regard, an application has been made to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the EGM by way of poll.

The Whitewash Waiver may or may not be granted by the Executive. Completion is conditional upon (unless waived by the Subscriber), among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Subscriber and the Company have agreed that if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, they will negotiate in good faith to find a practical solution to proceed with the Completion. The Subscriber may, in its sole discretion and if it is ready to make a mandatory general offer in compliance with the Takeovers Code, elect to waive the relevant conditions to the Subscriptions and proceed with the Subscription in the absence of the Whitewash Waiver and upon Completion, the Subscriber will be obliged to make a mandatory general offer for the relevant securities of the Company not already owned by the Subscriber and parties acting in concert with it. Relevant announcement(s) will be made by the Company in compliance with the Listing Rules and the Takeovers Code as and when appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the possible benefits of the Subscription mentioned above and having considered our view described above that the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned for the reasons set out herein, we are of the opinion that the approval for the Whitewash Waiver is in the interests of the Company, the Shareholders and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Subscription.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that:

- (i) the use of proceeds from Subscription is in line with the development strategies of the Group;
- (ii) the prospect of new energy vehicle industry in the PRC;
- (iii) the synergy effect of the Company and the Subscriber that bring significant support and assistance to the Company's long term and stable development as set out in the paragraphs headed "Support from the Tangshan government" in this letter;
- (iv) the Subscription appears to be the most preferable financing option which would provide the Group with the necessary amount of fund with certainty and is more cost-effective as compared to other financing alternatives;
- (v) the Subscription Price falls within the range of the highest and lowest closing prices of the Shares during the Review Period, which the Subscription Price represents premiums of approximately nil, 3.03%, 7.94%, 5.92%, 4.62% and 2.32% to the closing price per Share on the Latest Practicable Date, the date of the Subscription Agreement, the last Business Day prior to the date of the Subscription Agreement, average closing prices per Share for the period of five, 10 and 180 consecutive trading days up to and including 18 October 2022 respectively;
- (vi) the thin liquidity in terms of trading volume of the Shares which the inactive trading of the Shares may imply a lack of interest from potential investors to invest in the Shares;
- (vii) the Shares have long been traded with a deep discount to the net asset value of the Company throughout the Review Period; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(viii) the implied P/S Ratio and P/B Ratio of the Subscription Price are within the range and higher than the median of the P/S Ratio and P/B Ratio of the Industry Comparables,

we consider although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, and the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and the Subscription Agreement and the Whitewash Waiver are in the interests of the Company, the Shareholders and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Alvin Kam
Managing Director

Mr. Alvin Kam is a licensed person registered with the SFC and a responsible officer of Innovax Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 19 years of experience in corporate finance and investment banking industry.

FINANCIAL INFORMATION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

The (i) 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 years ended 31 December 2019, 2020 and 2021; and (ii) unaudited consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the financial statements, of the Group for the six months ended 30 June 2022 (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.titans.com.cn).

Annual report for the year ended 31 December 2019 (pages 83 to 196):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700765.pdf>

Annual report for the year ended 31 December 2020 (pages 84 to 188):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600430.pdf>

Annual report for the year ended 31 December 2021 (pages 87 to 194):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042902103.pdf>

Interim report for the six months ended 30 June 2022 (pages 18 to 38)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0921/2022092100435.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 results of the Group for each of the years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of the Company and the unaudited consolidated results of the Group for the six months ended 30 June 2022 as extracted from the interim report of the Company:

Consolidated statement of profit or loss and other comprehensive income for the three years ended 31 December 2021 and for the six months ended 30 June 2022

| | For the | For the year ended 31 December | | |
|---|---|--------------------------------|------------------------------|------------------------------|
| | six months ended 30 June 2022 RMB'000 (unaudited) | 2021 RMB'000 (audited) | 2020 RMB'000 (audited) | 2019 RMB'000 (audited) |
| Revenue | 125,245 | 337,344 | 275,592 | 301,214 |
| Cost of revenue | <u>(84,257)</u> | <u>(222,923)</u> | <u>(207,328)</u> | <u>(212,932)</u> |
| Gross profit | 40,988 | 114,421 | 68,264 | 88,282 |
| Other revenue and income | 1,011 | 11,342 | 13,070 | 20,821 |
| Selling and distribution expenses | (22,673) | (46,685) | (48,946) | (46,885) |
| Administrative and other expenses | (27,984) | (68,114) | (59,029) | (61,544) |
| Other gains and losses | (130) | 4,083 | (595) | (1,989) |
| Reversal of impairment losses/(impairment losses) of financial assets | 2,366 | 12,448 | 5,142 | (38,355) |
| Share of results of associates | 114 | 4,234 | 2,040 | (510) |
| Finance costs | <u>(4,631)</u> | <u>(10,260)</u> | <u>(11,226)</u> | <u>(9,655)</u> |
| (Loss)/profit before tax | (10,939) | 21,469 | (31,280) | (49,835) |
| Income tax (expense)/credit | <u>(598)</u> | <u>(4,141)</u> | <u>1,069</u> | <u>1,043</u> |
| (Loss)/profit for the period | <u><u>(11,537)</u></u> | <u><u>17,328</u></u> | <u><u>(30,211)</u></u> | <u><u>(48,792)</u></u> |

| | For the | For the year ended 31 December | | |
|--|---|--------------------------------|------------------------------|------------------------------|
| | six months ended 30 June 2022 RMB'000 (unaudited) | 2021 RMB'000 (audited) | 2020 RMB'000 (audited) | 2019 RMB'000 (audited) |
| Other comprehensive (expense)/income for the period | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Net fair value (loss)/gain on financial assets at fair value through other comprehensive income | (2,032) | (1,622) | (1,768) | 5,256 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 82 | 208 | 105 | 767 |
| | <u>(1,950)</u> | <u>(1,414)</u> | <u>(1,663)</u> | <u>6,023</u> |
| Other comprehensive (expense)/income for the period, net of income tax | <u>(1,950)</u> | <u>(1,414)</u> | <u>(1,663)</u> | <u>6,023</u> |
| Total comprehensive (expense)/income for the period | <u>(13,487)</u> | <u>15,914</u> | <u>(31,874)</u> | <u>(42,769)</u> |
| (Loss)/profit for the period attributable to: | | | | |
| – Owners of the Company | (11,037) | 18,595 | (29,622) | (47,603) |
| – Non-controlling interests | <u>(500)</u> | <u>(1,267)</u> | <u>(589)</u> | <u>(1,189)</u> |
| | <u>(11,537)</u> | <u>17,328</u> | <u>(30,211)</u> | <u>(48,792)</u> |

| | For the | For the year ended 31 December | | |
|--|-------------------------------------|--------------------------------|----------------------|----------------------|
| | six months ended 30 June 2022 | 2021 | 2020 | 2019 |
| | RMB'000 (unaudited) | RMB'000 (audited) | RMB'000 (audited) | RMB'000 (audited) |
| Total comprehensive (expense)/income for the period attributable to: | | | | |
| – Owners of the Company | (12,987) | 17,181 | (31,285) | (41,580) |
| – Non-controlling interests | (500) | (1,267) | (589) | (1,189) |
| | <u>(13,487)</u> | <u>15,914</u> | <u>(31,874)</u> | <u>(42,769)</u> |
| (LOSS)/EARNINGS PER SHARE | | | | |
| Basic (RMB) | <u>(1.19 cents)</u> | <u>2.01 cents</u> | <u>(3.20 cents)</u> | <u>(5.15 cents)</u> |
| Diluted (RMB) | <u>(1.19 cents)</u> | <u>2.01 cents</u> | <u>(3.20 cents)</u> | <u>(5.15 cents)</u> |

Save as disclosed above, there were no material items of income or expense in any of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022.

The auditor of the Company for each of the years ended 31 December 2019, 2020 and 2021 was SHINEWING (HK) CPA Limited. The audit opinions of SHINEWING (HK) CPA Limited in respect of these periods were not qualified and there were no modified opinions or emphasis of matter or material uncertainty related to going concern contained in auditor's report of SHINEWING (HK) CPA Limited in respect of these periods.

There was no payment of dividends for each of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022. Hence dividends per Share for each of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 was inapplicable.

Indebtedness

At the close of business on 31 August 2022, 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:

Bank and other borrowings

As at 31 August 2022, the Group had total borrowings with a carrying amount of approximately RMB168.2 million, comprising (i) approximately RMB135.0 million of secured and guaranteed bank borrowings; (ii) approximately RMB29.0 million of unsecured and guaranteed bank borrowings; and (iii) approximately RMB4.2 million of unsecured and guaranteed other borrowings.

As at 31 August 2022, secured bank borrowings of approximately RMB135.0 million of the Group were secured by its ownership interests in land and buildings, right-of-use assets and certain trade receivables with carrying values of approximately RMB1.1 million, RMB7.2 million and RMB105.2 million, respectively.

As at 31 August 2022, secured bank borrowings of approximately RMB164.0 million were guaranteed by the Company and the Directors .

As at 31 August 2022, other borrowings of approximately RMB4.2 million were guaranteed by the Directors.

As at 31 August 2022, the Group has unutilised available banking facilities of approximately RMB80.5 million.

Pledge of Assets

As at 31 August 2022, the Group's ownership interests in land and buildings, right-of-use assets and certain trade receivables were pledged in favour of a bank to secure a bank facility granted to the Group. Except for the pledge regarding the bank facility granted to the Group, the Group did not pledge any of its assets as securities for the banking facilities granted to the Group as at 31 August 2022.

Lease liabilities

As at 31 August 2022, the Group had no material lease liabilities.

Capital commitments and contingent liabilities

As at 31 August 2022, the Group had a capital commitment of approximately RMB9.2 million in respect of the establishment of associates.

Corporate guarantees given by the Group to banks to secure the borrowings granted to subsidiaries as at 31 August 2022 amounted to approximately RMB84.0 million. As at 31 August 2022, the Group had contingent liabilities in respect of a financial guarantee of approximately RMB218.0 million for the banking facility granted to subsidiaries.

As at the Latest Practicable Date, apart from disclosure made in this circular, the Group has no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 31 August 2022, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities .

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 August 2022 up to and including the Latest Practicable Date.

NO MATERIAL CHANGE

The Directors confirm that, save as disclosed in the Company's interim report published on 21 September 2022 in respect of (i) the decrease in other revenue; (ii) the increase in selling and distribution expenses; (iii) the decrease in administrative and other expenses; (iv) the gain from reversal of impairment losses of financial assets; and (v) as a result of the foregoing, the increase in loss attributable to owners of the Company; and subsequent to 30 June 2022, the pandemic continued to affect the operation and business performance of many industries in the PRC, different regions were affected in varying degrees, some more challenging than others, it is uncertain how the pandemic will affect China's economic growth and individual industries in long run, there was no material change in financial or trading position or outlook of the Group between 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, and the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL AND SHARE OPTIONS

(a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and all outstanding share options are fully exercised) is as follows:

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

| | | |
|------------------------------|-------------------------|-------------|
| <i>Authorised</i> | | <i>HK\$</i> |
| 10,000,000,000 | Shares of HK\$0.01 each | 100,000,000 |
| <i>Issued and fully paid</i> | | |
| 925,056,000 | Shares of HK\$0.01 each | 9,250,560 |

- (ii) Authorised and issued share capital of the Company immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)

| | | |
|----------------------------------|---|-------------------|
| <i>Authorised</i> | | <i>HK\$</i> |
| 10,000,000,000 | Shares of HK\$0.01 each | 100,000,000 |
| <i>Issued and fully paid</i> | | |
| 925,056,000 | Shares in issue as at the Latest Practicable Date | 9,250,560 |
| 566,970,000 | Subscription Shares to be allotted and issued | 5,669,700 |
| <u>1,492,026,000</u> | Total | <u>14,920,260</u> |

- (iii) Authorised and issued share capital of the Company immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and all outstanding share options are fully exercised)

| | | |
|----------------------------------|--|-------------------|
| <i>Authorised</i> | | <i>HK\$</i> |
| 10,000,000,000 | Shares of HK\$0.01 each | 100,000,000 |
| <i>Issued and fully paid</i> | | |
| 925,056,000 | Shares in issue as at the Latest Practicable Date | 9,250,560 |
| 566,970,000 | Subscription Shares to be allotted and issued | 5,669,700 |
| 67,130,000 | Shares to be issued upon exercise in full of all outstanding share options | 671,300 |
| <u>1,559,156,000</u> | Total | <u>15,591,560</u> |

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

No new Shares had been issued since 31 December 2021, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

(b) Share Options

As at the Latest Practicable Date, the Company had 67,130,000 outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company on 18 December 2020. Among the 67,130,000 outstanding share options, 12,310,000 share options were exercisable as at the Latest Practicable Date and 54,820,000 share options would only become exercisable on or after 1 June 2023.

Details of the 12,310,000 share options that were exercisable as at the Latest Practicable Date are as follows:

| Date of grant | Vesting period | Exercise period | Exercise price per Share |
|----------------------|-------------------------------------|------------------------------------|---------------------------------|
| 23 July 2021 | 23 July 2021 to 31 December 2021 | 1 June 2022 to 31 December 2023 | HK\$0.445 |

As at the Latest Practicable Date, save as disclosed above, the Company had no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares.

3. DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been 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 in which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or which were required to be disclosed under the Takeovers Code were as follows:

| Name of Director | Nature of interest (Note 1) | Number of Shares or underlying Shares | Approximate percentage of existing issued share capital of the Company |
|------------------|-------------------------------------|---------------------------------------|--|
| Mr. Li Xin Qing | Interest of controlled corporations | 205,709,875 (Note 2) | 22.24% |
| | Beneficial owner | 800,000 (Note 3) | 0.09% |
| Mr. An Wei | Interest of controlled corporations | 195,869,875 (Note 4) | 21.17% |
| | Beneficial owner | 1,000,000 (Note 5) | 0.11% |

Notes:

- All interests in Shares were long positions.
- The entire issued share capital of Genius Mind Enterprises Limited is beneficially owned by Mr. Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind Enterprises Limited by virtue of the SFO. Among 197,724,457 Shares, a total of 40,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited, a company which shareholding is owned as to 50% by him.

3. Of these 800,000 Shares, 600,000 Shares are share options granted by the Company.
4. The entire issued share capital of Great Passion International Limited is beneficially owned by Mr. An Wei who is deemed to be interested in 187,884,457 Shares held by Great Passion International Limited by virtue of the SFO. Among 187,884,457 Shares, a total of 20,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited, a company which shareholding is owned as to 50% by him.
5. Of these 1,000,000 Shares, 600,000 Shares are share options granted by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code.

(B) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

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 of the Company 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 | Nature of interest (Note 1) | Number of Shares or underlying Shares | Approximate percentage of existing issued share capital of the Company |
|---|---|--|--|
| 唐山市人民政府國有資產監督 管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*) (Note 2) | Interest of controlled corporations | 566,970,000 | 61.29% |

| Name of shareholder | Nature of interest (Note 1) | Number of Shares or underlying Shares | Approximate percentage of existing issued share capital of the Company |
|---|---|--|--|
| Ms. Zeng Zhen (Note 3) | Interests of spouse | 206,509,875 | 22.32% |
| Genius Mind (Note 4) | Beneficial owner | 197,724,457 | 21.37% |
| Ms. Yan Kai (Note 5) | Interests of spouse | 196,869,875 | 21.28% |
| Great Passion (Note 6) | Beneficial owner | 187,884,457 | 20.31% |
| Broad-Ocean Motor (Hong Kong) Co. Limited (Note 7) | Beneficial owner | 84,096,000 | 9.09% |
| Zhongshan Broad-Ocean Motor Co., Ltd. (Note 7) | Interest of controlled corporations | 84,096,000 | 9.09% |
| Mr. Lu Chuping (Note 7) | Interest of controlled corporations | 84,096,000 | 9.09% |
| Honor Boom Investments Limited (Note 8) | Beneficial owner | 82,458,117 | 8.91% |
| Mr. Li Xiao Bin (Note 8) | Interest of controlled corporations | 82,458,117 | 8.91% |
| | Beneficial owner | 3,740,000 (Notes 9 and 10) | 0.40% |
| Ms. Zhang Lina (Note 11) | Interests of spouse | 83,598,117 | 9.04% |
| Mr. Thomas Karl Amade Pilscheur | Beneficial owner | 66,244,818 | 7.16% |
| Ms. Feng Yanlin (Note 12) | Interests of spouse | 66,244,818 | 7.16% |

Notes:

1. All interests in Shares were long positions.
2. These Shares represent the Subscription Shares. The Subscriber is wholly-owned by 曹妃甸國控投資集團有限公司 (Caofeidian Guokong Investment Group Co., Ltd.*) which is wholly-owned by 唐山國控集團有限公司 (Tangshan Guokong Group Co., Ltd.*) which is in turn wholly-owned by 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*). Therefore, these entities are deemed to be interested in the Subscription Shares in which the Subscriber is interested as a beneficial owner by virtue of the SFO.
3. Ms. Zeng Zhen is the spouse of Mr. Li Xin Qing. Therefore, Ms. Zeng Zhen is deemed to be interested in the Shares in which Mr. Li Xin Qing is interested by virtue of the SFO.
4. The entire issued share capital of Genius Mind is beneficially owned by Mr. Li Xin Qing who is deemed to be interested in the Shares held by Genius Mind by virtue of the SFO. Mr. Li Xin Qing is the sole director of Genius Mind.
5. Ms. Yan Kai is the spouse of Mr. An Wei. Therefore, Ms. Yan Kai is deemed to be interested in the Shares in which Mr. An Wei is interested by virtue of the SFO.
6. The entire issued share capital of Great Passion is beneficially owned by Mr. An Wei who is deemed to be interested in the Shares held by Great Passion by virtue of the SFO. Mr. An Wei is the sole director of Great Passion.
7. The entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited is owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 27.1% of its interest was beneficially owned by Mr. Lu Chuping.
8. The issued share capital of Honor Boom Investments Limited is owned as to 40% by Mr. Li Xiao Bin, 30% by Ms. Ou Yang Fen and 30% by Mr. Cui Jian respectively. Therefore, Mr. Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom Investments Limited by virtue of the SFO.
9. These Shares represent share options granted by the Company.
10. On 15 July 2022, the Company granted in aggregate 30,200,000 share options to 13 grantees to subscribe for the same number of ordinary Shares of HK\$0.01 each in the capital of the Company. The share options are granted under the share option scheme adopted by the Company on 18 December 2020. Out of these 30,200,000 options, 2,600,000 share options were granted to Mr. Li Xiao Bin.
11. Ms. Zhang Lina is the spouse of Mr. Li Xiao Bin. Therefore, Ms. Zhang Lina is deemed to be interested in the Shares in which Mr. Li Xiao Bin is interested by virtue of the SFO.
12. Ms. Feng Yanlin is the spouse of Mr. Thomas Karl Amade Pilscheur. Therefore, Ms. Feng Yanlin is deemed to be interested in the Shares in which Mr. Thomas Karl Amade Pilscheur is interested 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 executive 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.

4. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the last Business Day immediately preceding the date of the Announcement; and (iii) on the Latest Practicable Date:

| Date | Closing price per Share HK\$ |
|--|------------------------------------|
| 29 April 2022 | 0.340 |
| 31 May 2022 | 0.335 |
| 30 June 2022 | 0.335 |
| 29 July 2022 | 0.325 |
| 31 August 2022 | 0.320 |
| 30 September 2022 | 0.330 |
| 17 October 2022 (being the last Business Day immediately preceding the date of the Announcement) | 0.315 |
| 31 October 2022 | 0.315 |
| 15 November 2022 (being the Latest Practicable Date) | 0.340 |

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.355 on 26 April 2022 and 23 June 2022 and HK\$0.260 on 22 September 2022 respectively.

5. DISCLOSURES REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) save for the Subscription, the Subscriber and parties acting in concert with it did not hold, own, control or have direction over any voting rights or rights over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities in the Company, and had not dealt for value in any relevant securities in the Company during the Relevant Period;
- (b) the directors of the Subscriber were not interested in any relevant securities in the Company, and had not dealt for value in any relevant securities in the Company during the Relevant Period;
- (c) there was no agreement, arrangement or understanding pursuant to which the Shares acquired by the Subscriber and parties acting in concert with it pursuant to the Subscription will be transferred, charged or pledged to any other persons;

- (d) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Subscription, the Specific Mandate and the Whitewash Waiver;
- (e) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Subscriber or parties acting in concert with it and any other person in relation to the relevant securities in the Company or of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (f) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber and 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 and/or the Whitewash Waiver;
- (g) the Company did not hold any relevant securities in the Subscriber and no Director was interested in any relevant securities in the Subscriber, and the Company and Directors had not dealt for value in any relevant securities in the Subscriber during the Relevant Period;
- (h) save for the conditions of the Subscription under the Subscription Agreement, none of the Subscriber or parties acting in concert with it has any agreements or arrangements to which 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 transactions contemplated under the Subscription Agreement or the Whitewash Waiver;
- (i) save as disclosed in the paragraph headed “3. Disclosure of Interest” in this Appendix II, no Director was interested in any relevant securities in the Company and none of them had dealt for value in any relevant securities in the Company during the Relevant Period;
- (j) no (i) subsidiary of the Company, (ii) pension fund of the Company or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held, owned or controlled any relevant securities in the Company;

- (k) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (l) no relevant securities in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (m) save as disclosed in the paragraph headed “EGM” in the letter from the Board in this circular, no person will be required to abstain from voting on the resolutions approving the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder in the EGM. In addition, no person had irrevocably committed themselves to vote in favour of or against the resolutions approving Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder the at the EGM;
- (n) no relevant securities in the Company were borrowed or lent by any of the Directors or by the Company or by the Subscriber or parties acting in concert with it;
- (o) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Subscription, the Specific Mandate and/or the Whitewash Waiver or otherwise connected with the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (p) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (q) 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;
- (r) apart from the aggregate Subscription Price of HK\$192,769,800 payable under the Subscription Agreement, none of the Subscriber, its ultimate beneficial owner, or any parties acting in concert with any of them has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any party acting in concert with it in connection with the Subscription;

- (s) save for the Subscription Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, its ultimate beneficial owner or any parties acting in concert with any of them on one hand and the Company or any party acting in concert with it on the other hand; and
- (t) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Subscriber, its ultimate beneficial owner, or any parties acting in concert with any of them, or (b) the Company, its subsidiaries or associated companies.

6. DIRECTORS' SERVICE CONTRACTS

Particulars of the relevant Directors' service contracts are set out as follows:

| Name of Director | Position | Counterparty | Date of contract | Term | Remuneration (Note 1) | Notice Period |
|-------------------|------------------------------------|--------------|-------------------------|---|--------------------------|---------------|
| Mr. Li Xin Qing | Executive Director | the Company | 15 April 2022 | 36 months commencing from 28 May 2022 | RMB727,200 per annum | 3 months |
| Mr. An Wei | Executive Director | the Company | 15 April 2022 | 36 months commencing from 28 May 2022 | RMB700,800 per annum | 3 months |
| Mr. Li Wan Jun | Independent non-executive Director | the Company | 20 May 2022 | 12 months commencing from 28 May 2022 | HKD120,000 per annum | 3 months |
| | Independent non-executive Director | the Company | 24 May 2019 (Note 2) | 36 months commencing from 28 May 2019 | HKD120,000 per annum | 3 months |
| Mr. Pang Zhang | Independent non-executive Director | the Company | 11 April 2021 | 36 months commencing from 16 April 2021 | HKD120,000 per annum | 3 months |
| Mr. Li Xiang Feng | Independent non-executive Director | the Company | 15 July 2021 | 36 months commencing from 15 July 2021 | HKD120,000 per annum | 3 months |

Note 1: No variable remuneration are payable under the relevant Directors' service contracts.

Note 2: This service contract have been replaced by the above contract entered into between Mr. Li Wan Jun and the Company dated 20 May 2022.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into service contracts 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 the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

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

8. MATERIAL CONTRACTS

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

9. EXPERT QUALIFICATIONS AND CONSENT

The following is the qualification of the expert which has given opinions and recommendations which are included in this circular:

| Name | Qualifications |
|-------------------------|--|
| Innovax Capital Limited | a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

The Independent Financial Adviser had given its written consent and had not withdrawn its written consent to the issue of this circular with the inclusion of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

10. OTHER INFORMATION

- (a) The principal members of the Subscriber's concert group are the Subscriber and its ultimate beneficial owner, 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*) ("Tangshan SASAC"). The registered office of the Subscriber is located at Room 3001, Block C, Jindao Building, Caofeidian Industrial Zone, Caofeidian District, China (Hebei) Pilot Free Trade Zone, the PRC. The registered office of Tangshan SASAC is located at No. 7 Xishan Road, Lubei District, Tangshan City, the PRC. The correspondence address of the Subscriber's concert group in Hong Kong is Chiu & Partners, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (b) The directors of the Subscriber are Mr. Gao Xia, Mr. Bi Jingfeng and Mr. Tao Chen.
- (c) The main business address of Guotai Junan Capital Limited, the financial adviser to the Subscriber, is 26/F-28/F Low Block Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of (i) the Company (www.titans.com.cn); (ii) the SFC (www.sfc.hk); and (iii) the Stock Exchange (www.hkexnews.hk) from the date of this circular up to and including the date on which the offer period ends:

- (a) the memorandum and articles of association of the Company valid as at the Latest Practicable Date;
- (b) the articles of association of the Subscriber valid as at the Latest Practicable Date;
- (c) the annual reports of the Company for each of the three financial years ended 31 December 2019, 2020 and 2021;
- (d) the interim report of the Company for the six months ended 30 June 2022;
- (e) the letter from the Board, the text of which is set out on pages 5 to 24 of this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this circular;

- (g) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 61 of this circular;
- (h) the written consent referred to in the paragraph headed “9. Expert Qualifications and Consent” in this Appendix II;
- (i) the Subscription Agreement;
- (j) the service contracts referred in the paragraph headed “6. Directors’ Service Contracts” in this Appendix II;
- (k) the Announcement; and
- (l) this circular.

12. GENERAL

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

NOTICE OF EGM



China Titans Energy Technology Group Co., Limited

中國泰坦能源技術集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2188)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the **“Meeting”**) of China Titans Energy Technology Group Co., Limited (the **“Company”**) will be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 12 December 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions.

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the subscription agreement dated 18 October 2022 (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 and 唐山國控科創有限公司 (Tangshan Guokong Science and Technology Limited*) (the **“Subscriber”**) pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 566,970,000 new Shares (the **“Subscription Shares”**) at the subscription price of HK\$0.34 per Subscription Share and the transactions contemplated thereunder 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
- (c) any one or more of the Directors be and is 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 may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement 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.”

* For identification purpose only

NOTICE OF EGM

SPECIAL RESOLUTION

2. **“THAT** subject to and conditional upon the passing of resolution numbered 1 above, 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 parties acting in concert with it and any conditions that may be imposed thereon, the waiver (the **“Whitewash 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), 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 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

China Titans Energy Technology Group Co., Limited

Li Xin Qing

Chairman

Hong Kong, 18 November 2022

Registered Office:

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

Principal place of business in Hong Kong:

Suite 2703, 27/F
Shui On Centre
Nos. 6-8 Harbour Road
Wanchai
Hong Kong

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his/her behalf, subject to the articles of association of the Company. A proxy need not be a member of the Company. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that 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, not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.
3. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
5. Where there are joint holders of any Share, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company shall, in respect of such Share, be entitled alone to vote in respect thereof.
6. The resolutions at the Meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
7. The register of members of the Company will be closed from Wednesday, 7 December 2022 to Monday, 12 December 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all transfer documents accompanied by the relevant share certificates 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 by 4:30 p.m. on Tuesday, 6 December 2022.
8. If Typhoon Signal No.8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 6:00 a.m. on the date of the Meeting, then the Meeting will be postponed. The Company will post an announcement on the Company's website (www.titans.com.cn) and website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting.

The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.

As at the date of this notice, the executive Directors of the Company are Mr. Li Xin Qing and Mr. An Wei, and the independent non-executive Directors of the Company are Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng.