
THIS CIRCULAR IS IMPORTANT AND REQUEST 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 an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in **CIMC Enric Holdings Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, exchange participant or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

**POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION
IN RELATION TO PROPOSED SPIN-OFF AND
SEPARATE A-SHARE LISTING OF CIMC SAFE TECH;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



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



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee is set out on page IBC-1 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-29 of this circular.

A notice convening the EGM to be held at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 21 May 2021 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use by the Shareholders at the EGM (or any adjournment thereof) is enclosed with this circular. Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjourned meeting) should they so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Measures being taken to try to prevent and control the spread of the Coronavirus at the EGM, including:

- **compulsory temperature checks and health declarations**
- **compulsory wearing of surgical face masks**
- **maintain proper distance between seats**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company requires attendees to wear face masks and reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

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DEFINITIONS

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

“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CIMC”	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000039) and the Main Board of the Stock Exchange (stock code: 2039), and the controlling shareholder of the Company as at the Latest Practicable Date
“CIMC Group”	CIMC together with its subsidiaries
“Company”	CIMC Enric Holdings Limited, an exempted company incorporated in the Cayman Islands on 28 September 2004 with limited liability under the Companies Law (Revised) of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 21 May 2021 at 4:00 p.m. to approve, among other things, the Proposed Spin-off
“ESOP Platform 1”	Zhuhai Zilang Enterprise Administration Centre (Limited Partnership)* (珠海紫琅企業管理中心(有限合夥)), a limited liability partnership established on 27 August 2020 in the PRC as an equity-holding platform for certain employees of the Group

DEFINITIONS

“ESOP Platform 2”	Zhuhai Pengrui Senmao Enterprise Administration Centre (Limited Partnership)* (珠海鵬瑞森茂企業管理合夥企業(有限合夥)), a limited liability partnership established on 28 August 2020 in the PRC as an equity-holding platform for certain employees of the Group
“Group”	the Company and its subsidiaries
“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 of the independent non-executive Directors
“Independent Shareholders”	the Shareholders (other than, among others, Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han, certain employees of the Company and their respective associates) who do not have to abstain from voting on the resolution approving the Proposed Spin-off at the EGM under the Listing Rules
“Latest Practicable Date”	21 April 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mainland China” or “PRC”	the People’s Republic of China, and for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Mainland China Stock Exchange”	a stock exchange operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange
“PN 15”	Practice Note 15 of the Listing Rules
“Proposed A-Share Listing”	the proposed listing of the shares of the Spin-off Company on the Mainland China Stock Exchange by way of an initial public offering

DEFINITIONS

“Proposed Spin-off”	the proposed spin-off of the shares of the Spin-off Company on the Mainland China Stock Exchange, to be effected by the Proposed A-Share Listing
“Remaining Group”	the Group, excluding the Spin-off Group
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	Chemical and Environmental Business Unit Equity Incentive Scheme as constituted by the rules relating to it adopted by the Board and the board of directors of CIMC Safe Tech, as amended from time to time
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sommerley Capital” or “Independent Financial Adviser”	Sommerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off
“Spin-off Company” or “CIMC Safe Tech”	CIMC Safeway Technologies Co., Ltd* (中集安瑞環科技股份有限公司) (formerly known as 南通中集罐式儲運設備製造有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of the Group as at the Latest Practicable Date
“Spin-off Group”	the Spin-off Company and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Win Score”	Win Score Investments Limited, a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent.

* For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Non-executive Director:

Gao Xiang (*Chairman*)

Executive Director:

Yang Xiaohu (*General Manager*)

Non-executive Directors:

Yu Yuqun

Wang Yu

Zeng Han

Independent non-executive Directors:

Yien Yu Yu, Catherine

Tsui Kei Pang

Zhang Xueqian

Wang Caiyong

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal Place of Business
in Hong Kong:*

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Fairmont House

No. 8 Cotton Tree Drive

Central

Hong Kong

Head Office in the PRC:

CIMC R&D Center

No. 2 Gangwan Avenue

Shekou Industrial Zone

Shenzhen, Guangdong

The PRC

23 April 2021

To the Shareholders

Dear Sir or Madam,

**POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION
IN RELATION TO PROPOSED SPIN-OFF AND
SEPARATE A-SHARE LISTING OF CIMC SAFE TECH;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 December 2020 (the “**Announcement**”) in respect of the Proposed Spin-off.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) information on the Proposed Spin-off; (ii) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser regarding the Proposed Spin-off as required under paragraph 3(e) of PN 15; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Proposed Spin-off; and (iv) a notice of the EGM.

THE PROPOSED SPIN-OFF

Background

The Proposed Spin-off involves the spin-off of the Spin-off Company and its separate listing on the Mainland China Stock Exchange by way of an initial public offering. For the purpose of the Proposed Spin-off, the Company has submitted a proposal on the Proposed Spin-off to the Stock Exchange pursuant to PN 15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN 15. The Stock Exchange also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off as required by paragraph 3(f) of PN 15.

Subject to approvals by the Shareholders and the relevant Mainland China regulators, it is currently proposed that the Spin-off Company will issue A-shares on the Mainland China Stock Exchange by way of an initial public offering to public investors in the market, or other methods as requested or agreed by the CSRC. The actual number of shares to be offered by the Spin-off Company will depend on the market conditions and the relevant rules and regulations of the CSRC as amended from time to time. It is expected that immediately upon completion of the Proposed Spin-off, the Company will have an indirect interest of not less than 50% in the Spin-off Company and, therefore, the Spin-off Company will remain as an indirect subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Group.

Each of the Board and the board of directors of the Spin-off Company has not decided on the specific stock exchange or market in Mainland China which the Spin-off Company will issue its A-shares, and the Board and the board of directors of the Spin-off Company will consider factors, including but not limited to, the compatibility between the Spin-off Company's business and the positioning of the markets, the number of companies applying for listing in each market and the pace of the vetting process which will have an impact on the Spin-off Company's listing timetable, and the difference in valuation between markets, when determining the specific stock exchange or market.

Timetable of the Proposed Spin-off

CITIC Securities Co., Ltd. (the "Sponsor") was appointed as the sole sponsor of the Spin-off Company for the Proposed A-Share Listing. The Sponsor, together with the Jiangsu branch of the CSRC, commenced the pre-listing tutorial with the Spin-off Company in February 2021 in accordance with the relevant Mainland China regulatory and legal requirements, and the

LETTER FROM THE BOARD

pre-listing tutorial is expected to be completed in May 2021. The management of the Spin-off Company is striving for an earliest practicable time to submit the application for the Proposed A-Share Listing. Upon completion of the pre-listing tutorial, the Sponsor, together with other professional parties engaged by the Spin-off Company, shall commence preparation of application materials for the Proposed A-Share Listing and, as at the Latest Practicable Date, the Spin-off Company intended to submit the application to the Mainland China Stock Exchange in the first half of 2021. As at the Latest Practicable Date, no formal application for the Proposed A-Share Listing has been filed with the relevant regulatory authorities in the PRC.

However, if the pre-listing tutorial cannot be completed in May 2021, the Spin-off Company may be unable to submit the application materials for the Proposed A-Share Listing in the first half of 2021; and will be required to prepare the financial and other information for a stub period, hence the application to the Mainland China Stock Exchange can only be submitted in the second half of 2021, i.e. before December 2021.

Based on the current pace of the Mainland China Stock Exchanges' vetting process, it is expected that the Spin-off Company will be able to obtain the Mainland China Stock Exchange's approval in approximately six months after the listing application is submitted.

If there is any unforeseen material change in relation to the Proposed Spin-off or the Spin-off Company will cease to be a subsidiary of the Company and its financial results will cease to be consolidated into the accounts of the Group upon completion of the Proposed Spin-off, the Company will re-comply with the requirements for notifiable transaction in accordance with Chapter 14 of the Listing Rules.

Conditions of the Proposed Spin-off

The Proposed Spin-off will be conditional upon, among other things, the following:

- (a) approval of the Proposed Spin-off by the Shareholders;
- (b) approval of the Proposed A-Share Listing by the board of directors and the shareholders of the Spin-off Company;
- (c) approval of the Proposed Spin-off by the Listing Committee of the Stock Exchange;
- (d) the approval and/or registration of the Mainland China Stock Exchange and the CSRC in relation to the Proposed A-Share Listing; and
- (e) any other PRC regulatory approvals required by the relevant laws and regulations.

As at the Latest Practicable Date, condition (c) has been fulfilled. None of the conditions is waivable. If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable.

LETTER FROM THE BOARD

Proceeds to be raised from the Proposed A-Share Listing

As the exact offer price and the expected size of the Proposed A-Share Listing are not determined at this stage, the proceeds to be raised from the Proposed A-Share Listing cannot be determined yet. It is currently expected that the net proceeds to be raised from the Proposed A-Share Listing (after deducting related expenses) will be approximately RMB1 billion in consideration of the Spin-off Group's current expansion plan and the intended use of proceeds. However, investors should be aware that the proceeds to be raised is subject to future business needs of the Spin-off Group and the market conditions close to the launch of the Proposed A-Share Listing.

The offer price of shares of the Spin-off Company to be offered under the Proposed A-Share Listing has not been fixed yet and is subject to market conditions close to the launch of the Proposed A-Share Listing and will be determined with reference to the then responses to the price consultation and other method(s) to be agreed between the Spin-off Company and the lead underwriter. In determining the offer price, the Spin-off Company will take into account, among other things, (i) its historical operating results and financial performance; (ii) its business prospects; (iii) its expansion plan and capital needs; (iv) the responses to price consultation to the Proposed A-Share Listing in the book-building process; and (v) an appropriate price to earnings ratio to be determined by the Spin-off Company and the lead underwriter having considered those of comparable companies listed in the PRC in the same industry as the Spin-off Company. As at the Latest Practicable Date, the Directors and the directors of the Spin-off Company expected the offer price per share of the Spin-off Company to be not lower than RMB6.67. Investors should be aware that the offer price of the Proposed A-Share Listing will be determined at a date close to the launch of the Proposed A-Share Listing based on several factors, some of which are beyond the control of the Spin-off Company and the underwriter(s) of the Proposed A-Share Listing.

Pursuant to the relevant regulations in the Mainland China, the Spin-off Company will offer not less than 10% of its enlarged issued share capital for subscription. As at the Latest Practicable Date, it was expected that no more than 165,000,000 shares of the Spin-off Company would be offered for subscription pursuant to the Proposed A-Share Listing.

The Company will make further announcement(s) once the information relating to the final offer price and expected net proceeds of the Proposed A-Share Listing is available.

LETTER FROM THE BOARD

Intended use of proceeds

The Spin-off Company intends to apply the net proceeds from the Proposed A-Share Listing (after deducting related expenses) in the following manner:

- (i) approximately 41.2% will be used for the construction of flexible, green and intelligent “lighthouse” factories for tank containers;
- (ii) approximately 5.0% will be used for the upgrade of after-sales services and intelligent network for tank containers;
- (iii) approximately 19.4% will be used for the optimization of manufacturing capacity for high-end medical supportive equipment;
- (iv) approximately 9.5% will be used for the construction of non-ferrous metal precision components manufacturing center;
- (v) approximately 5.7% will be used for the expansion of research & development center;
- (vi) approximately 4.2% will be used for the informatisation and upgrade of operation system; and
- (vii) approximately 15.0% will be used to supplement the Spin-off Group’s working capital.

The Spin-off Company will follow its current development direction of “Manufacturing + Service + Intelligence”, as well as focusing on resource-recycling, synergizing with non-noxious treatment business, and accelerating the improvement of core technology and manufacturing capabilities of environmental protection equipment, and environmental protection operation capabilities related to hazardous waste treatment and general solid waste recycling. The Company anticipates that the proceeds to be raised from the Proposed A-Share Listing will upgrade the current production efficiency, stabilize the supply chain, strengthen the after-sale service network, provide strong financial support for the Spin-off Company and accelerate its development.

As the offer price per share of the Spin-off Company is expected to be not lower than RMB6.67, the proceeds to be raised through the Proposed A-Share Listing will be not less than RMB378 million.

In the event that the net proceeds from the Proposed A-Share Listing (after deducting related expenses) is less than RMB1 billion, the Company will continue to proceed with the Proposed A-Share Listing. However, in the event that the gross proceeds to be raised from the Proposed A-Share Listing is less than RMB378 million, the Proposed A-Share Listing will not proceed. Additionally, if the Proposed A-Share Listing is postponed, terminated or lapsed, the Spin-off Company will use its best endeavours to finance the aforesaid projects with its funds or funds to be raised by other financing method(s), which may include, among other things, bank

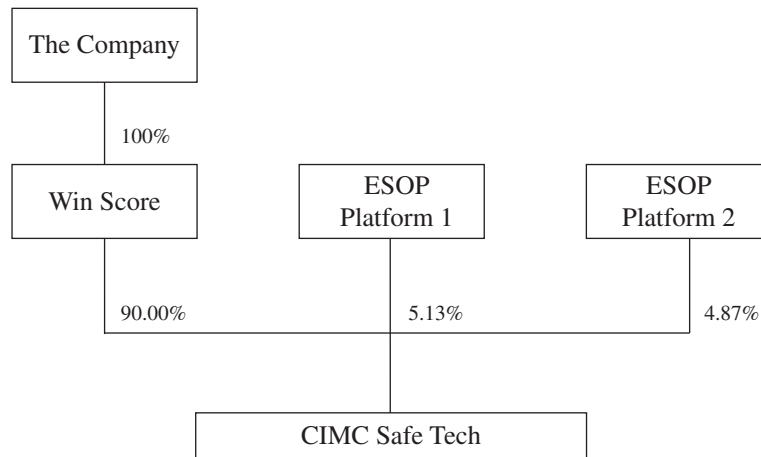
LETTER FROM THE BOARD

borrowings; and the gearing ratios of the Company and the Spin-off Company may be affected if debt financing is used to fund these projects.

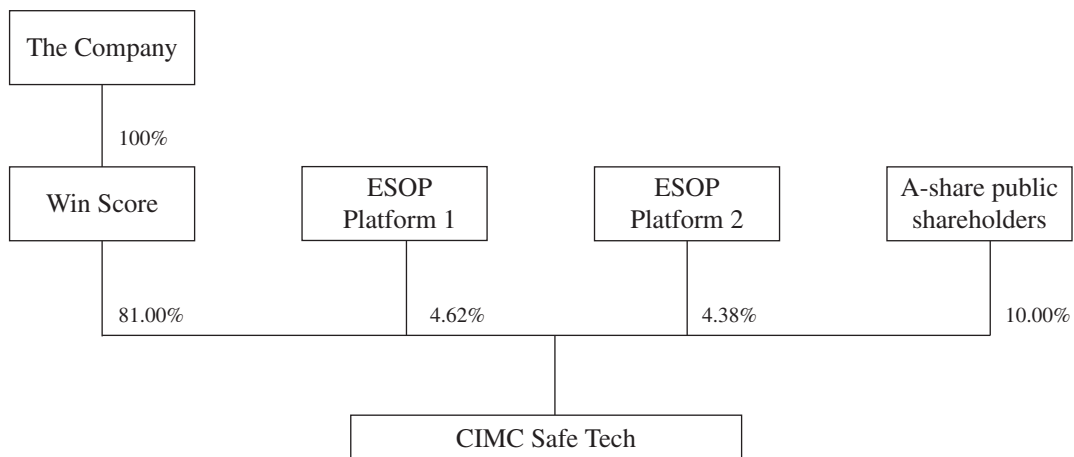
Effects of the Proposed Spin-off on the shareholding structure of the Spin-off Company

Based on the current plan of the Proposed Spin-off, set out below is a simplified shareholding structure of the Spin-off Company as at the Latest Practicable Date and immediately upon completion of the Proposed Spin-off.

Shareholding structure of the Spin-off Company as at the Latest Practicable Date:

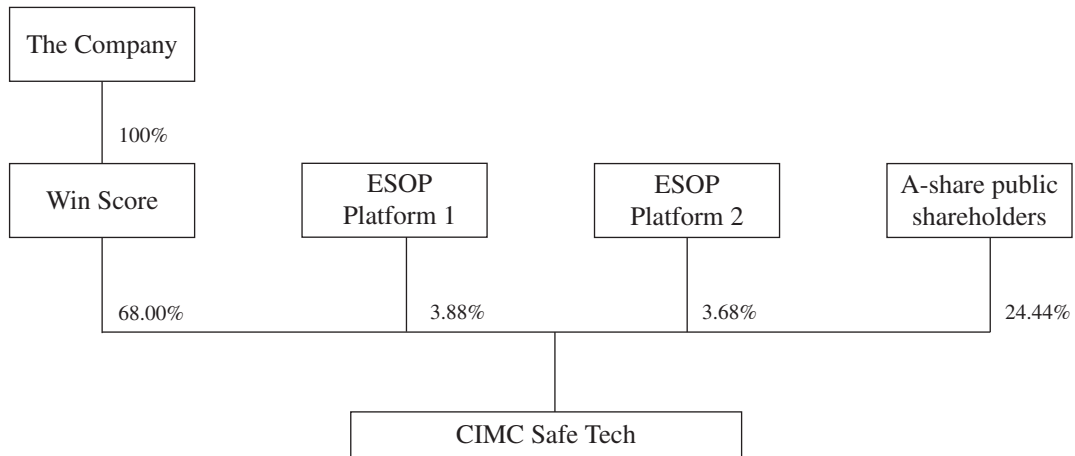


Shareholding structure of the Spin-off Company immediately upon completion of the Proposed Spin-off (assuming the offering size represents 10% of the enlarged issued share capital of the Spin-off Company):



LETTER FROM THE BOARD

Shareholding structure of the Spin-off Company immediately upon completion of the Proposed Spin-off (assuming 165,000,000 shares of the Spin-off Company will be issued and there are no other changes to the total issued share capital of the Spin-off Company other than the shares to be issued under the Proposed A-Share Listing, i.e. the offering size represents approximately 24.44% of the enlarged issued share capital of the Spin-off Company):



INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the design, research & development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance services for a wide spectrum of transportation, storage and processing equipment that is widely used for the clean energy, chemical and environmental and liquid food industries.

INFORMATION OF THE SPIN-OFF GROUP

CIMC Safeway Technologies Co., Ltd* (中集安瑞環科技股份有限公司) was incorporated in the PRC as a limited liability company on 14 August 2003 and was converted into a joint stock company on 23 November 2020. As at the Latest Practicable Date, it was an indirect non-wholly owned subsidiary of the Company and had a registered capital of RMB510 million.

The Spin-off Group is principally engaged in the manufacture and sales of standard tank containers, special tank containers and a wide range of equipment, for multimodal transportation of bulk cargos, predominantly chemicals, in the forms of liquid, gas and powder; and the manufacturing and sales of environmental protection equipment.

LETTER FROM THE BOARD

The following table summarises the unaudited combined financial information of the Spin-off Group extracted from its unaudited management accounts for the years ended 31 December 2019 and 2020; and does not eliminate the profit generated from the inter-segment sales and inter-segment dividend income within the Group:

	For the year ended	
	31 December	
	2019	2020
	(RMB'000)	(RMB'000)
Profit before tax	489,679	368,584
Profit after tax	423,800	336,534
Profit attributable to shareholders	429,387	341,896

As at 31 December 2020, the unaudited consolidated net asset value of the Spin-off Group was approximately RMB1,432 million.

INFORMATION OF THE REMAINING GROUP

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be principally engaged in the other two principal businesses, i.e. clean energy business and liquid food business. Further, immediately upon completion of the Proposed Spin-off, the Remaining Group will satisfy all the requirements under paragraph 3(c) of PN 15 and retain a sufficient level of operations and assets to support its separate listing status.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

The Spin-off Company will continue to be an indirect non-wholly owned subsidiary of the Company upon completion of the Proposed Spin-off. The following is the expected financial impact of the Proposed Spin-off on the Group:

Earnings

The Proposed Spin-off will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the Spin-off Company. It is expected that there would be no gain or loss on the deemed disposal and the Proposed Spin-off to be recognised in the Company's consolidated income statement upon completion of the Proposed Spin-off in accordance with Hong Kong Financial Reporting Standards 10. The difference between the amount by which the non-controlling interest is adjusted and the net proceeds raised from the Proposed A-Share Listing will be recorded in equity attributed to the Shareholders. In addition, as the proportion of the Company's shareholding in the Spin-off Company will be diluted immediately upon completion of the Proposed Spin-off, it is expected that the earnings attributable to shareholders of the Company contributed by the

LETTER FROM THE BOARD

Spin-off Company will decrease while the earnings attributable to non-controlling interests of the Company will increase.

The Spin-off Group will continue to be accounted for as a subsidiary of the Company upon completion of the Proposed Spin-off and the financial results of the Spin-off Group will continue to be consolidated into the accounts of the Group. The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among other things, the return generated from the proceeds raised from the Proposed A-Share Listing as well as the future business operations of the Spin-off Group.

Assets and liabilities

The Proposed A-Share Listing will increase the number of shares of the Spin-off Company and raise corresponding funds. The net proceeds of the Proposed A-Share Listing will increase the cash recorded in the consolidated balance sheet of the Group and increase the total assets of the Group correspondingly. The Proposed Spin-off will not affect the liabilities of the Group. Hence, the Proposed A-Share Listing will raise funds and further improve the structure of the Group's assets and liabilities.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off will be beneficial to both the Group and the Spin-off Group for the following reasons:

- (a) the Proposed Spin-off will allow the Company and the Shareholders an opportunity to realise their fair value of investment in the Spin-off Company; and the Company will continue to be the beneficial owner of a majority of shares in the Spin-off Company upon completion of the Proposed Spin-off and to benefit from any enhanced value of the Spin-off Group through the Proposed Spin-off;
- (b) each of the Remaining Group and the Spin-off Group, operates in different and distinct business segments, is believed to have different growth paths and business strategies. The Proposed Spin-off can (i) provide greater transparency and business coherence and clearer corporate structure to each of the Group and Spin-off Group; and (ii) allow the Spin-off Group to create a more defined business focus and efficient resource allocation, thus enhancing operation efficiency of each of the Remaining Group and the Spin-off Group;
- (c) the Proposed Spin-off will enable the respective management of the Company and the Spin-off Company to dedicate their time on building the core businesses of the Remaining Group and the Spin-off Group, respectively, to adopt different business strategies in order to better suit their respective businesses, and increase their responsiveness to market changes and opportunities specific to the business of the relevant group;

LETTER FROM THE BOARD

- (d) the separate listing of the Spin-off Company will bring market-oriented valuation to the Spin-off Group. It is expected that the Spin-off Group will obtain a higher asset premium. Thus, the Proposed Spin-off will also create and unlock value of the shares of the Spin-off Company for the Company and the Shareholders;
- (e) the Proposed A-Share Listing will offer a separate and independent fund-raising platform for the Spin-off Company to fund its growth and expansion, enhancing the Spin-off Group's capabilities to conduct separate and independent fund-raising activities for the business development of the Spin-off Company;
- (f) the Proposed Spin-off will potentially provide greater debt capacity due to greater clarity for credit profiling of each of the Company and the Spin-off Company respectively by financial institutions that wish to extend credit or financing to the Company or the Spin-off Company;
- (g) the Proposed Spin-off will increase the operational and financial transparency and enhance the corporate governance of the Spin-off Group and provide investors, financial institutions and rating agencies with greater clarity on the business and financial status of each of the Remaining Group and the Spin-off Group on a stand-alone basis, and such enhancement will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Remaining Group and the Spin-off Group;
- (h) the Proposed Spin-off will enable the Spin-off Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for the Spin-off Group, for investment in and forming strategic partnerships with the Spin-off Group; and
- (i) the stock performance of the Spin-off Company can serve as a separate benchmark for the evaluation of the performance of the Spin-off Group which could in turn serve as an incentive for the management of the Spin-off Group to seek improvement and raise management and operating efficiency of the Spin-off Group on an ongoing basis.

The Directors also noted that the Proposed Spin-off may lead to the following risks:

- (a) although, upon completion of the Proposed Spin-off, the Spin-off Company will remain as an indirect subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Group, the Proposed Spin-off will lead to dilution of the Company's shareholding in the Spin-off Company;
- (b) the Company's share price may be more volatile in the short term as the investment community may have mixed perceptions on the Proposed Spin-off; and

LETTER FROM THE BOARD

- (c) the Group will incur expenses associated with the Proposed Spin-off, which will also lead to long term costs for maintaining the listing status of the Spin-off Company, including expenses associated with regulatory compliance, disclosure and publication of financial statements.

However, having considered the benefits of the Proposed Spin-off, the Directors (including the independent non-executive Directors) are of the view that the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Paragraph 3(f) of PN 15 requires the Company to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of CIMC Safe Tech, either by way of a distribution in specie of existing shares of CIMC Safe Tech, or by way of a preferred application in the offering of existing or new shares of CIMC Safe Tech (the “**Assured Entitlement**”).

As advised by the Mainland China legal advisers of the Company, A-shares listed and traded on the Mainland China Stock Exchanges can only be held by (i) Mainland China citizens; (ii) residents of Hong Kong, Taiwan and Macao working and residing in Mainland China; (iii) foreigners who have obtained permanent residence right in Mainland China; (iv) foreign natural persons who work in Mainland China and whose home country has established a regulatory cooperation mechanism with Mainland China Stock Exchange and CSRC; (v) qualified Mainland China institutional investors such as securities companies, insurance companies, securities investment funds, social security funds, etc.; (vi) qualified foreign institutional investors approved by the CSRC; and (vii) foreign strategic investors approved by the Department of Commerce of Mainland China. It is expected that most of the existing Shareholders do not fall into this category.

As further advised by the Mainland China legal advisers of the Company, save as special circumstances (i.e. not less than 40% of shares offered under the placing tranche shall be first placed with publicly offered funds, social security funds, pension, enterprise annuity funds established in accordance with the Measures for the Management of Enterprise Annuity Funds (《企業年金基金管理辦法》) and insurance funds that satisfy the provisions of the Measures for the Administration of the Utilization of Insurance Funds (《保險資金運用管理辦法》) and other relevant provisions), no preferential allocations of the shares shall be made to any specific persons on the ground that all investors shall be treated equally, according to the Securities Law of Mainland China (《中華人民共和國證券法》), Measures for the Administration of the Offering and Underwriting of Shares (《證券發行與承銷管理辦法》) and other relevant laws and regulations. As such, the existing Shareholders are not entitled to the Assured Entitlement.

As there are legal impediments to provide the existing Shareholders the Assured Entitlement, and such legal impediments cannot be overridden, it would be impractical and unduly burdensome for the Company to inquire into every existing Shareholder to ascertain each of their qualifications for the Assured Entitlement; and it would be unduly burdensome for the

LETTER FROM THE BOARD

Company to seek minority Shareholders' approval to waive the Assured Entitlement at a general meeting as the legal restriction could not be overridden even if the resolution was voted down.

Having considered the above legal impediments for providing the Assured Entitlement and the reasons for and benefits of the Proposed Spin-off under the paragraph headed "Reasons for and benefits of the Proposed Spin-off" in this letter from the Board, the Board is of view that the Proposed Spin-off and the non-provision of the Assured Entitlement in relation to the Proposed Spin-off are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. The Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirement under Paragraph 3(f) of PN 15.

LISTING RULES IMPLICATIONS

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off may be higher than 25% but in any event less than 75%, the Proposed Spin-off, if proceed, may constitute a possible major transaction under Chapter 14 of the Listing Rules. The Company therefore convenes the EGM to obtain the approval of Shareholders regarding the Proposed Spin-off as required under paragraph 3(e)(1) of PN 15 and Chapter 14 of the Listing Rules. As at the Latest Practicable Date, based on the proposed size of offering under the Proposed A-Share Listing, the highest applicable percentage ratio in respect of the Proposed Spin-off was less than 25%. However, the Company intends to convene the EGM to obtain the Shareholders' approval to fulfill condition (a) in the paragraph headed "Conditions of the Proposed Spin-off" in this letter from the Board.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, (i) Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han, Directors of the Company, are aggregately interested in approximately 0.22% of the total issued Shares of the Company and 2.92% of the total share capital of the Spin-off Company; and (ii) certain employees of the Group, being limited partners and holders of equity interests in ESOP Platform 1 or ESOP Platform 2, are aggregately interested in approximately 0.34% of the total issued Shares of the Company and 5.45% of the total share capital of the Spin-off Company. As a result, each of them is an interested party to the Proposed Spin-off and together with their close associates will abstain from voting on such resolution at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Ms. Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Proposed Spin-off. The letter from the Independent Board Committee is set out on page IBC-1 of this circular.

LETTER FROM THE BOARD

The Company has also appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off. The letter from Somerley Capital Limited is set out on pages IFA-1 to IFA-29 of this circular.

EGM

The EGM will be convened by the Company at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on 21 May 2021 (Friday) at 4:00 p.m., at which a resolution will be proposed to consider and, if thought fit, approve the Proposed Spin-off. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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. The chairman of the EGM will exercise his power under article 66 of the articles of association of the Company to put the resolution to be proposed at the EGM to be voted by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, apart from certain Directors (i.e. Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han), certain employees of the Company who are existing Shareholders and are also interested in the share capital of the Spin-off Company and their respective associates, no other Shareholder is required to abstain from voting at the EGM.

Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 14 May 2021. Shareholders whose names are recorded in the register of members of the Company on Friday, 14 May 2021 are entitled to attend and vote at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors, after taking into account the advice of Independent Financial Adviser) consider that the Proposed Spin-off to be fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

ADDITIONAL INFORMATION

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

Shareholders and potential investors of the Company should note that the Proposed Spin-off is subject to, among other things, obtaining approvals from the relevant regulatory authorities, market conditions and other factors. There is no assurance that the Proposed Spin-off will take place or as to when it will take place. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in or investing in the Shares. The Company will make further announcement(s) in relation to the Proposed Spin-off in accordance with the requirements of the Listing Rules as and when appropriate.

By order of the Board
CIMC Enric Holdings Limited
Gao Xiang
Chairman

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

23 April 2021

To the Independent Shareholders

Dear Sir or Madam,

POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION IN RELATION TO PROPOSED SPIN-OFF AND SEPARATE A-SHARE LISTING OF CIMC SAFE TECH

We refer to the circular of the Company dated 23 April 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used herein have the same meanings as defined in the Circular unless otherwise specified.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Proposed Spin-off, details of which are set out in the letter from the Board in the Circular on pages 4 to 17 of the Circular.

Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to Proposed Spin-off. The text of the letter of advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-29 of the Circular.

Having taken into account of the advice of the Independent Financial Adviser, we consider that the Proposed Spin-off to be fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution at the EGM to approve the Proposed Spin-off.

Yours faithfully,

For and on behalf of the Independent Board Committee

CIMC Enric Holdings Limited

Ms. Yien Yu Yu, Catherine Mr. Tsui Kei Pang Mr. Zhang Xueqian Mr. Wang Caiyong
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

23 April 2021

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION IN RELATION TO PROPOSED SPIN-OFF AND SEPARATE A-SHARE LISTING OF CIMC SAFE TECH

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the shareholders of CIMC Enric Holdings Limited (the “**Company**”) in relation to the proposed spin-off of CIMC Safeway Technologies Co., Ltd. (the “**Proposed Spin-off**”). Details of the Proposed Spin-off are set out in the “Letter from the Board” contained in the circular of the Company to its Shareholders dated 23 April 2021 (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 otherwise defined herein.

Subject to, among other things, approvals by the Shareholders and the relevant Mainland China regulators, it is currently proposed that the Spin-off Company will list its A-shares on the Mainland China Stock Exchange by way of initial public offering to public investors in the market, or other methods as requested or agreed by the CSRC. As at the Latest Practicable Date, the equity interest in the Spin-off Company is held as to 90% by the Company indirectly and the remaining 10% is held by ESOP Platform 1 and ESOP Platform 2. It is expected that immediately upon completion of the Proposed Spin-off, the Company will have an indirect interest of not less than 50% in the Spin-off Company and therefore the Spin-off Company will remain as an indirect non-wholly owned subsidiary of the Company.

The Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN 15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. The Stock Exchange has also granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlements under the Proposed Spin-off as required by paragraph 3(f) of PN 15. Further details regarding the background to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

waiver are set out in the section headed “Waiver in respect of assured entitlement” in the “Letter from the Board” contained in the Circular. As at the Latest Practicable Date, no formal application for the Proposed A-Share Listing has been filed with the relevant regulatory authorities in Mainland China yet and the Spin-off Company intended to submit the application to the Mainland China Stock Exchange in the first half of 2021, or in the second half of 2021 if the pre-listing tutorial of the sole sponsor for the Proposed A-Share Listing and the Jiangsu branch of the CSRC cannot be completed in May 2021.

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Spin-off may be higher than 25% but in any event less than 75%, the Proposed Spin-off, if proceeds, may constitute a possible major transaction for the Company and therefore may be subject to, among other things, the approval of the Shareholders under PN 15 and Chapter 14 of the Listing Rules. As at the Latest Practicable Date, based on the proposed size of offering under the Proposed A-Share Listing, the highest applicable percentage ratio in respect of the Proposed Spin-off was less than 25%. However, the Company intends to convene the EGM to obtain the Shareholders’ approval to fulfil condition (a) in the section headed “Conditions of the Proposed Spin-off” in the “Letter from the Board” contained in the Circular. As set out in the “Letter from the Board” contained in the Circular, as at the Latest Practicable Date, (i) Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han, each being a Director of the Company, are aggregately interested in approximately 0.22% of the total issued Shares of the Company and 2.92% of the total issued share capital of the Spin-off Company; and (ii) certain employees of the Group, being limited partners and holders of equity interests in ESOP Platform 1 or ESOP Platform 2, are aggregately interested in approximately 0.34% of the total issued Shares of the Company and 5.45% of the total share capital of the Spin-off Company. As a result, each of them is an interested party to the Proposed Spin-off and together with their close associates will abstain from voting on such resolution at the EGM.

The Independent Board Committee, comprising all four independent non-executive Directors, namely Ms. Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong, has been formed to advise the Independent Shareholders in connection with the Proposed Spin-off as to (i) whether the terms of the Proposed Spin-off are fair and reasonable; (ii) whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders shall vote at the EGM. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company or the Spin-off Company that could reasonably be regarded as a hindrance to the independence of Somerley Capital Limited as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off. In the past two years, except for the independent financial adviser engagement in relation to certain terms of the subscription of shares of the Spin-off Company by ESOP Platform 1 and ESOP Platform 2, there have been no engagements between the Company and Somerley Capital Limited. We do not

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

consider the aforesaid past engagement as independent financial adviser to give rise to any conflict for Somerley Capital Limited to act as the independent financial adviser in respect of the Proposed Spin-off. In the past two years and up to the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with the aforesaid past engagement and this appointment as the independent financial adviser in respect of the Proposed Spin-off, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Director and management of the Company (the “**Management**”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the executive Director that no material facts have been omitted from the information supplied and opinions expressed to us in this context. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group (including the Spin-off Group), nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Proposed Spin-off, we have taken into account the principal factors and reasons set out below.

1. Background and financial information of the Group

(a) Business

The Company has been listed on the Stock Exchange since 20 July 2006. As set out in the Company’s 2020 annual report (the “**2020 Annual Report**”), the Company, together with its subsidiaries (including the Spin-off Group), are principally engaged in three major business segments:

- (i) Clean energy business (the “**Clean Energy Business**”): manufacture, sale and operation of wide range of equipment for the storage, transportation, processing and distribution of natural gas (in form of liquefied natural gas (“**LNG**”) and compressed natural gas (“**CNG**”) and liquefied petroleum gas (“**LPG**”)); engineering, procurement and construction (“**EPC**”) services for clean energy industry; design, production and sales of small and medium-sized liquefied gas carriers; and provision of value-added services for clean energy industry.

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- (ii) Chemical and environmental business (the “**Chemical and Environmental Business**”): manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied chemicals, gaseous chemicals and powder products; provision of maintenance service and value-added service for tank containers; manufacturing and sale of special equipment for environmental protection and the provision of related services for the environmental protection, pollution treatment as well as resource recycling.

- (iii) Liquid food business (the “**Liquid Food Business**”): engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk, and the provision of engineering, procurement, and construction services for the brewery industry as well as other liquid food industries.

The Chemical and Environmental Business is carried out mainly by the Spin-off Group. Immediately after the Proposed Spin-off, the Remaining Group will continue to operate businesses not carried out by the Spin-off Group, including the Clean Energy Business and the Liquid Food Business. On the other hand, the Spin-off Group will be principally engaged in the Chemical and Environmental Business, details of the business of the Spin-off Group are set out in the section headed “2. Background and financial information of the Spin-off Group” of this letter below. As advised by the Management, both the Clean Energy Business and the Chemical and Environmental Business involve manufacturing of tank containers but the tank containers produced under the Clean Energy Business and the Chemical and Environmental Business are different in terms of their application, design and manufacturing technology and process and major customer group, and hence the containers cannot be used interchangeably. The business focus, operational model, core products and services, major and target customers, production process and facilities, licenses and certificates required, trademarks and patents for the businesses of the Remaining Group and the Spin-off Group are different.

We understand from the Management that there is a clear delineation between the Clean Energy Business, the Liquid Food Business and the Chemical and Environmental Business in terms of the business focus and operation model, source of income, major products or services offered, customers and suppliers and management as set out below.

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	Remaining Group		Spin-off Group
	Clean Energy Business	Liquid Food Business	Chemical and Environmental Business
Business focus and operation model	Research and design, production and sales of key equipment for transportation, storage and processing of clean energy, provide one-stop solution for engineering services and system solutions for the clean energy industrial chain. It focuses on cryogenic tank containers with vacuum-related technologies and facilities to keep the cargos in liquid form under extreme low temperature	Provision of engineering services and production of stainless steel tanks complementary to the engineering services, and offer total turnkey projects to breweries and the distilling business	Design, manufacture and sales of standard and specialised tank containers for multimodal transportation of liquids, powders and gases. It designs and manufactures all types of tank containers (except the type produced by the Clean Energy Business)
Source of income	Sales of core equipment and undertaking various engineering projects and provision of after-sale services	Performance of EPC contracts	Sales of tank containers and other equipment and provision of after-sales service
Major products and services offered	The only type of tank containers built are cryogenic tank containers	EPC business and does not sell any individual equipment unless being part of the after-sales repairment	Standard and special liquid tank containers, gas tanks, powder tanks and small portable tanks
Customers and suppliers	<p><i>Customers:</i> Mainly petrochemical companies and energy groups</p> <p><i>Suppliers:</i> Providers of carbon and stainless steel</p>	<p><i>Customers:</i> Large scale industrial breweries</p> <p><i>Suppliers:</i> Service providers of installation and logistics services</p>	<p><i>Customers:</i> Transportation equipment companies and operators</p> <p><i>Suppliers:</i> Providers of stainless steel (different kind from that required by the Clean Energy Business)</p>
Management	Independent management team headquartered in Suzhou, Mainland China	Independent management team headquartered in the Netherlands	Independent management team headquartered in Nantong, Mainland China

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(b) Financial information

Set out below is a summary of financial information of the Group for the three years ended 31 December 2018, 2019 and 2020 (extracted from the 2018, 2019 and 2020 annual reports of the Company):

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue (note 1)	13,051,651	13,743,019	12,289,567
<i>Comprised of:</i>			
Clean Energy Business	6,027,083	6,814,772	7,001,558
Chemical and Environmental Business	3,768,279	3,385,706	2,026,944
Liquid Food Business	3,198,237	3,076,961	2,727,872
Unallocated revenue	58,052	465,580	533,193
Profit before tax	1,020,416	1,085,812	773,259
Profit for the year	782,450	901,405	566,208
Segment profit (note 2)			
Clean Energy Business	350,590	517,348	300,626
Chemical and Environmental Business	537,152	472,919	215,796
Liquid Food Business	514,245	309,901	534,396
Total segment profit	1,401,987	1,300,168	1,050,818

Notes:

1. Only external sales are included.
2. Before release/elimination of inter-segment profit, adjustments for finance costs, share of post-tax profit/loss of associates and unallocated operating income and expenses.

As shown in the table above, the Clean Energy Business segment is the largest segment of the Group in terms of revenue, contributing no less than 45% of the Group's revenue during each of the respective years. Each of the Chemical and Environmental Business and the Liquid Food Business contributed around 15% to 30% to the Group's revenue during each of the respective years. As advised by the Management, unallocated revenue mainly represents income from trading of natural gases and logistics operations.

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In 2019, the Group's revenue increased by approximately 5.3% as compared to that in 2018, mainly due to the increase in the demand for storage equipment as well as downstream application equipment (with spherical gas storage tanks and the on-vehicle LNG fuel tanks being the main contributors to the growth) under the Clean Energy Business segment during the year with the increase in consumption and production volume of natural gas in Mainland China in 2019, partially offset by (i) the decrease in revenue from the Chemical and Environmental Business segment due to the lower prosperity of chemical industry resulted from slowing economic growth and anti-globalisation events, such as trade friction between Mainland China and the United States of America and Brexit, and sales adjustment in 2019 after the rapid sales growth of global tank containers over the past few years; and (ii) slight drop in revenue from the Liquid Food Business after the completion of a couple of large-scale projects in 2018 and early 2019, with newly signed projects scheduled to complete by 2020 and beyond. We understand from the Management that the Chemical and Environmental Business is more sensitive to the global economic environment as majority of its customers are overseas customers, while the Clean Energy Business and the Liquid Food Business are more affected by the domestic demand, supply and application of natural gas in Mainland China and the capital expenditure development of the brewery companies respectively.

Revenue for the year ended 31 December 2020 represented a decrease of approximately 10.6% as compared to that in 2019. As stated in the 2020 Annual Report, in general, the operations of the Group was adversely affected by the outbreak of novel coronavirus (“COVID-19”) pandemic with governments of various countries implementing different levels of anti-pandemic measures, which severely affected global economic activities and international trade. While the epidemic had gradually come under control in China, the production and operations of certain overseas subsidiaries had been significantly affected, adversely impacting the Group's commercial activities and resulting in delayed production. The global chemical industry suffered a setback under the effect of the pandemic and the trade frictions between China and the United States of America, which have triggered a fall in the demand for storage and transportation equipment used for internationally traded liquid chemical and industrial gases and posing severe challenge for the tank container business, leading to a decline in the Chemical and Environmental Business segment's revenue during the year. As the majority of the operations of the Clean Energy Business are located in China, other than experiencing weak demand in the first quarter of 2020, domestic enterprises started to resume operation and production since the second quarter of 2020 and revenue of the Clean Energy Business was able to record growth. The increase in demand for storage and down-stream application equipment led to an increase in revenue of the Clean Energy Business. For Liquid Food Business, certain customers had been in business suspension and certain overseas projects were delayed to various extents, resulting in a decrease in revenue of the Liquid Food Business.

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Profit for the year increased by approximately 15.2% from 2018 to 2019, primarily attributable to the improvement in gross profit with the revenue growth and the drop in tax expenses during the year with the reversal of overprovision of tax expense in prior year and utilisation of deductible tax losses, partially offset by the increased impairment loss on financial assets as the Group had taken a more conservative approach and conducted more stringent impairment tests. Profit for the year ended 31 December 2020 was approximately RMB566.2 million, representing a decrease of approximately 37.2% from that in 2019, mainly resulting from the declining gross profit with the decrease in revenue during the year and increased amounts of administrative expenses and net impairment loss on financial assets during the year.

In terms of segment profit, it is noted that the Chemical and Environmental Business has contributed the most to the total segment profit in 2018, followed by the Liquid Food Business. In 2019, the Clean Energy Business became the largest contributor to the total segment profit with the increase in revenue within the segment, contributing approximately 40% of the total segment profit. Profit from the Liquid Food Business has dropped significantly after completion of a couple of large-scale projects in 2018 and early 2019 as mentioned in the above paragraphs. For the year ended 31 December 2020, the Liquid Food Business has become the largest contributor to the total segment profit as a project was completed in 2020 ahead of its original schedule after modification in scale during the year with sound profit recognised from this project after amicable negotiations with customer, with the Clean Energy Business being the second largest business segment in terms of segment profit. We understand from the Management that the change in relative contribution of segment profit of the three business segments was a combined effect of (i) the decrease of revenue recorded by the Chemical and Environmental Business since second half of 2019; (ii) the completion of large-scale projects of the Liquid Food Business in 2018, early 2019 and 2020; and (iii) the change in product mix of the Clean Energy Business and the reduction in its production capacity due to different degrees of production suspension in 2020, adversely affecting its economies of scale and hence its performance in 2020.

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As at 31 December 2020, total assets of the Group amounted to approximately RMB16,074.7 million. The net asset value of the Group attributable to owners of the Company was approximately RMB7,280.1 million. Set out below is a summary of segment assets and liabilities as at 31 December 2020 as extracted from the 2020 Annual Report.

	Clean Energy Business	Chemical and Environmental Business	Liquid Food Business	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	9,466,270	2,114,071	2,729,631	14,309,972
Reportable segment liabilities	5,022,805	809,636	1,765,515	7,597,956

Note: Variance between total reportable segment figures and figures at group level is mainly due to elimination of inter-segment receivables and payables, tax-related assets and liabilities of the Group and unallocated assets and liabilities, including but not limited to, fixed assets of unallocated segments, cash and bank loans of holding company and amount payable to the employees of the Group in respect of share award scheme adopted by the Company.

As set out in the table above, majority of the reportable segment assets and liabilities of the Group as at 31 December 2020 were related to the Clean Energy Business, followed by the Liquid Food Business. As at 31 December 2020, the segment assets and liabilities of the Clean Energy Business represent approximately 66.2% of the total reportable segment assets and approximately 66.1% of the total reportable segment liabilities respectively.

As advised by the Management, following the Proposed Spin-off, the Clean Energy Business will continue to reinforce and expand its capabilities in key equipment manufacturing, engineering services and the provision of total solution for natural gas transportation, storage and terminal application, in a bid to develop end-to-end business presence along the natural gas industry chain, while the Liquid Food Business will be expanding in existing markets and diversifying into new and adjacent markets to include products such as dairy, juice and pharmaceuticals. Further details regarding the prospects of the Remaining Group are set out in the section headed “4. Financial and trading prospects of the Group” in Appendix I contained in the Circular.

(c) Our view

The Group has been engaging in three major business segments with the Clean Energy Business being the largest one in terms of revenue. All the three business segments contributed considerable segment profits. Fluctuations in the historical financial performance of three business segments were due to reasons discussed above which were in general specific to each business segment. One of the reasons and benefits of the Proposed Spin-off is the enhancement of management of the businesses of the Spin-off Group and the Remaining Group such that the respective management of the Company and the Spin-off Company will be able to adopt different business strategies in order to better suit their respective businesses. Further details of the reasons and benefits of the Proposed Spin-off are set out in the section headed “3. Reasons for and benefits of the Proposed Spin-off” of this letter below.

2. Background and financial information of the Spin-off Group

(a) Business

The Spin-off Company was incorporated in Mainland China as a limited liability company in 2003 and was converted into a joint stock company on 23 November 2020. The Spin-off Group will be principally engaged in the Chemical and Environmental Business. As advised by the Management, such business is divided into (a) design, manufacture and sales of standard tank containers, special tank containers and a wide range of multimodal logistics equipment, for the storage and multimodal transportation of bulk cargoes, predominantly chemicals, in the forms of liquid, gas and powder; and (b) provision of waste disposal solutions and manufacture and sales of equipment for the disposal of both hazardous and non-hazardous waste. As advised by the Management, the major customers of the Spin-off Group include tank container customers, which are primarily container lessors and operators. As of the Latest Practicable Date, the Spin-off Company is an indirectly non-wholly owned subsidiary of the Company.

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(b) Financial information

According to the section headed “Information of the Spin-off Group” in the “Letter from the Board” contained in the Circular and financial information provided by the Management, set out below is a summary of unaudited combined financial information of the Spin-off Group for the years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue (Note 1)	3,881,363	3,423,610	2,060,248
Profit attributable to shareholders of the Spin-off Company	430,861	429,387	341,896

Notes:

1. Figures include sales to other subsidiaries within the Group.
2. As advised by the Management, variance between the segment revenue of the Chemical and Environmental Business and the revenue of the Spin-off Group as set out in the table above is mainly attributable to the inclusion of revenue from a company, business of which would remain in the Remaining Group, in the Chemical and Environmental Business under segment reporting. As for the variance between the segment profit of the Chemical and Environmental Business and the profit attributable to shareholders of the Spin-off Company, it is mainly attributable to (i) the inclusion of dividend income declared by Nantong CIMC Energy Equipment Co., Ltd. (“**Nantong Energy**”), issued share capital of which has been subsequently transferred to the Remaining Group in August 2020, in the profit attributable to shareholders of the Spin-off Company; (ii) the inclusion of financial expenses and share of profit/loss of associates for profit attributable to shareholders of the Spin-off Company; and (iii) the elimination of sales and cost of goods sold on sales between the Spin-off Group and the Remaining Group.

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	4,222,070	3,786,108	2,241,834
Net assets	2,612,118	2,115,991	1,432,197

Note: As advised by the Management, variance between the total reportable segment figures for the Chemical and Environmental Business as at 31 December 2020 as extracted from the 2020 Annual Report and the figures of the Spin-off Group as set out in the table above is mainly due to the inclusion of tax-related assets and liabilities.

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As advised by the Management, revenue of the Spin-off Group mainly represents income from manufacture and sales of standard tank containers, special tank containers and multimodal logistics equipment, and the provision of waste disposal solutions. Manufacturing and sales of equipment for disposal of both hazardous and non-hazardous waste was at its initial construction, investment or research and development stage and hence did not generate material revenue during the period of review. The Spin-off Group's revenue amounted to approximately RMB3,881.4 million in 2018 and RMB3,423.6 million in 2019. The Spin-off Group's revenue in 2019 was affected by anti-globalisation events, such as Brexit and trade frictions between Mainland China and United States of America, which put pressure on macro-economic growth and adversely affecting the demand for standard tank containers since the second half of 2019. After rapid sales growth of global tank containers recorded in 2017 and 2018, management of the Spin-off Company noted that the demand for standard tank containers had been declining since the second half of 2019.

During the year ended 31 December 2020, the Spin-off Group's revenue was further impacted by the COVID-19 pandemic, which leads to different levels of quarantine and lockdown measures implemented by governments of various countries. Such measures have severely affected global economic and international trading activities and triggered a temporary decrease in demand for storage and transportation equipment used for internationally traded liquid chemical and industrial gases and a lower level of new orders received for such transportation equipment during the year. The Spin-off Group recorded revenue of approximately RMB2,060.2 million for the year ended 31 December 2020.

The profit attributable to shareholders of the Spin-off Group remained stable in 2018 and 2019. Profit attributable to shareholders of the Spin-off Company was approximately RMB430.9 million and RMB429.4 million in 2018 and 2019 respectively. For the year ended 31 December 2020, profit attributable to shareholders was approximately RMB341.9 million. As advised by the Management, the profit level in 2020 was mainly affected by the decrease in demand for storage and transportation equipment used for internationally traded liquid chemical and industrial gases as a result of the COVID-19 pandemic as mentioned above. As at 31 December 2020, total assets of the Spin-off Group amounted to approximately RMB2,241.8 million, mainly comprised inventories, trade and bills receivable, deposits, other receivables and prepayments, property, plant and equipment and cash and cash equivalents. The net asset value of the Spin-off Group was approximately RMB1,432.2 million as at 31 December 2020. As advised by the Management, the decrease in net asset value and total assets of the Spin-off Group as at 31 December 2020 as compared to year ended of 2019 was due to the payment of dividend of approximately RMB1,812.3 million to the Remaining Group.

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We understand from the Management that the Group conducted an internal restructuring in August 2020 for the purpose of the Proposed Spin-off whereby, among other things, the Spin-off Company disposed its entire shareholding in Nantong Energy, a company principally engaged in part of the businesses of the Remaining Group, to the Remaining Group in August 2020 and therefore Nantong Energy is not a subsidiary of the Spin-off Company after the disposal. During the review period, Nantong Energy declared and paid a dividend of approximately RMB28.0 million and RMB162.9 million to the Spin-off Group in 2019 and 2020 respectively. Such dividend income will not recur in the future following the completion of transfer of shareholding of Nantong Energy to the Remaining Group.

As disclosed in Appendix I contained in the Circular, following the Proposed Spin-off, the Spin-off Group will remain committed to the provision of chemical logistics solution and one-stop service for customers, as it seeks to further cement its leading position in the global market. The Spin-off Group will develop capabilities for key equipment manufacturing and building up systems integration abilities for environmental protection purpose to address China's growing demand for solid waste and hazardous waste treatment and it is actively exploring business opportunities in environment protection sector.

(c) Our view

The Spin-off Group is principally engaged in the Chemical and Environmental Business and its financial performance was adversely affected by the COVID-19 pandemic during 2020. We understand from the Management that the Spin-off Group will apply the proceeds to be raised under the Proposed A-Share Listing to different projects which in turn will facilitate the further development of the businesses of the Spin-off Group. Further details of the usage of the proceeds to be raised are set out in the sub-section headed "(c) Intended use of proceeds" of the section headed "5. Principal structure of the Proposed Spin-off" of this letter below.

3. Reasons for and benefits of the Proposed Spin-off

Reasons considered by the Directors for the Proposed Spin-off are set out in the "Letter from the Board" contained in the Circular and are summarised below.

Upon completion of the Proposed Spin-off, the Remaining Group and the Spin-off Group will have separate and independent fundraising platforms to finance their respective operations and future expansion appropriately. In particular, the Proposed Spin-off would enhance the Spin-off Group's capabilities to conduct separate and independent fund-raising activities through Mainland China capital market for the development of its business. As a result, it will also benefit the Shareholders with the Spin-off Group remaining as a subsidiary of the Company.

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As the Remaining Group and the Spin-off Group operate in different and distinct business segments, which are likely to have different growth paths and business strategies. With the clear delineation between the businesses of the Remaining Group and the Spin-off Group, the Proposed Spin-off can provide greater transparency and business coherence and clearer corporate structure to each of the Remaining Group and the Spin-off Group, and allow the business of the Spin-off Group to create a more defined business focus and efficient resource allocation, enhancing operation efficiency of each of the Remaining Group and the Spin-off Group.

The Proposed Spin-off will potentially provide greater debt capacity due to greater clarity for credit profiling of each of the Spin-off Company and the Company respectively by financial institutions that wish to extend credit or financing to the Company or the Spin-off Company. The management of the Group and the Spin-off Group would be able to adopt different business strategies in order to better suit their respective businesses as the Proposed Spin-off enables them to dedicate their time on building the core businesses of the Group and the Spin-off Group, thus increasing their responsiveness to market changes and opportunities.

The Proposed Spin-off will increase the operational and financial transparency and enhance the corporate governance of the Spin-off Group and provide investors, financial institutions and rating agencies with greater clarity on the business and financial status of each of the Remaining Group and the Spin-off Group on a stand-alone basis, and such enhancement will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Remaining Group and the Spin-off Group. It will also enable the Spin-off Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for the Spin-off Group, for investment in and forming strategic partnerships with the Spin-off Group.

The separate listing of the Spin-off Company will bring market-oriented valuation to the Spin-off Group. It is expected that the Spin-off Group will obtain a higher asset premium from the Mainland China stock market, thus the Proposed Spin-off will also create and unlock value of the shares of the Spin-off Company held by the Company and its Shareholders.

As stated in the section headed “Intended use of proceeds” in the “Letter from the Board” contained in the Circular, the Company anticipates that the proceeds to be raised under the Proposed A-Share Listing will be applied to upgrade the current production efficiency, stabilise the supply chain, strengthen the after-sale service network, provide strong financial support for the Spin-off Group and accelerate its development. After completion of the Proposed Spin-off, the Company remains to be the ultimate controlling shareholder of the Spin-off Company and will continue to consolidate the financial statements of the Spin-off Group. It would continue to enjoy the benefits arising from the future business development and growth of the Spin-off Group. Independent Shareholders should note that the extent of potential benefits to be brought by the Proposed Spin-off are subject to, among other things, the then market conditions including the conditions of the capital market, the debt financing environment in Mainland China, and future business operations of the Group and the Spin-off Group, and thus may or may not materialise.

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As stated in the “Letter from the Board” contained in the Circular, the Directors also noted that the Proposed Spin-off may lead to the following risks:

- (a) although the Spin-off Company will remain as an indirect subsidiary of the Company and continue to be consolidated into the accounts of the Group upon completion of the Proposed Spin-off, the Proposed Spin-off will lead to dilution of the Company’s shareholding in the Spin-off Company;
- (b) the Company’s share price may be more volatile in the short term as the investment community may have mixed perceptions on the Proposed Spin-off; and
- (c) the Group will incur expenses associated with the Proposed Spin-off, which will also lead to long term costs for maintaining the listing status of the Spin-off Company, including expenses associated with regulatory compliance, disclosure and publication of financial statements.

Despite the potential risks stated above, having considered the benefits of the Proposed Spin-off as mentioned in this section above, the Management is of the view that the Proposed Spin-off will allow both the Remaining Group and the Spin-off Group to release business value and ultimately benefit the Shareholders.

4. Conditions of the Proposed Spin-off

As set out in the section headed “Conditions” in the “Letter from the Board” contained in the Circular, the Proposed Spin-off will be conditional upon, among other things, (a) approval by the Shareholders of the Proposed Spin-off; (b) approval of the Proposed A-Share Listing by the board of directors and the shareholders of the Spin-off Company; (c) approval of the Proposed Spin-off by the Listing Committee of the Stock Exchange; (d) the approval and/or registration of the Mainland China Stock Exchange and the CSRC in relation to the Proposed A-Share Listing; and (e) any other PRC regulatory approvals required by the relevant laws and regulations. As at the Latest Practicable Date, condition (c) has been fulfilled. None of the conditions is waivable.

Shareholders and potential investors should be aware that there is no assurance that the Proposed Spin-off will take place, and, if so, when it will take place. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company.

5. Principal structure of the Proposed Spin-off

(a) Structure of the Proposed Spin-off

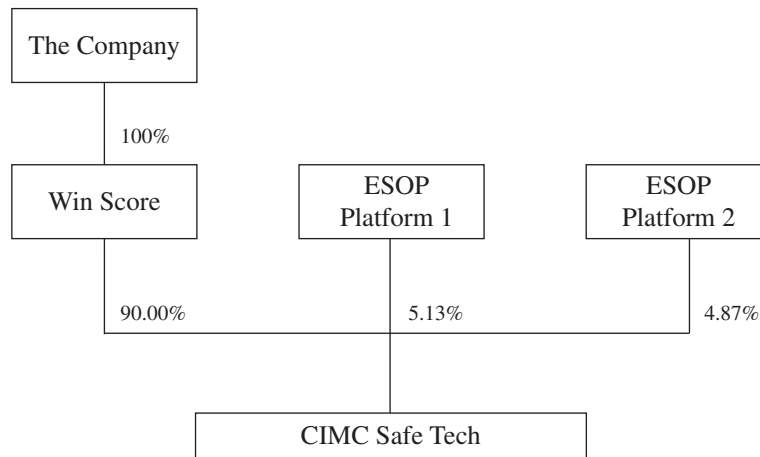
As set out in the “Letter from the Board” contained in the Circular, the Proposed Spin-off will be effected by way of a proposed A-Share listing on the Mainland China Stock Exchange. Each of the Board and the board of directors of the Spin-off Company have not decided on the specific stock exchange or market in Mainland China which the Spin-off Company will issue its A Shares, and they will consider factors, including but not limited to, the compatibility between the Spin-off Company’s business and the positioning of the markets, the number of companies applying for listing in each market and the pace of the vetting process which will have an impact on the Spin-off Company’s listing timetable, and the difference in valuation between markets, when determining the specific stock exchange or market.

Pursuant to the relevant regulations in the Mainland China, the Spin-off Company will offer new shares of not less than 10% of the enlarged issued share capital after completion of the Proposed A-Share Listing of the Spin-off Company (the “**Offer Shares**”). The actual number of Offer Shares to be offered by the Spin-off Company will depend on the market conditions and the relevant rules and regulations of the CSRC as amended from time to time. It is currently expected that immediately upon completion of the Proposed Spin-off, the Company will have an indirect interest of not less than 68% in the Spin-off Company and therefore the Spin-off Company will remain as an indirect non-wholly owned subsidiary of the Company and the operating results of the Spin-off Group will continue to be consolidated into the financial statements of the Group. As at the Latest Practicable Date, it was expected that no more than 165,000,000 new shares (representing approximately 24.44% of the enlarged issued share capital of the Spin-off Company) of the Spin-off Company would be offered for subscription pursuant to the Proposed A-Share Listing.

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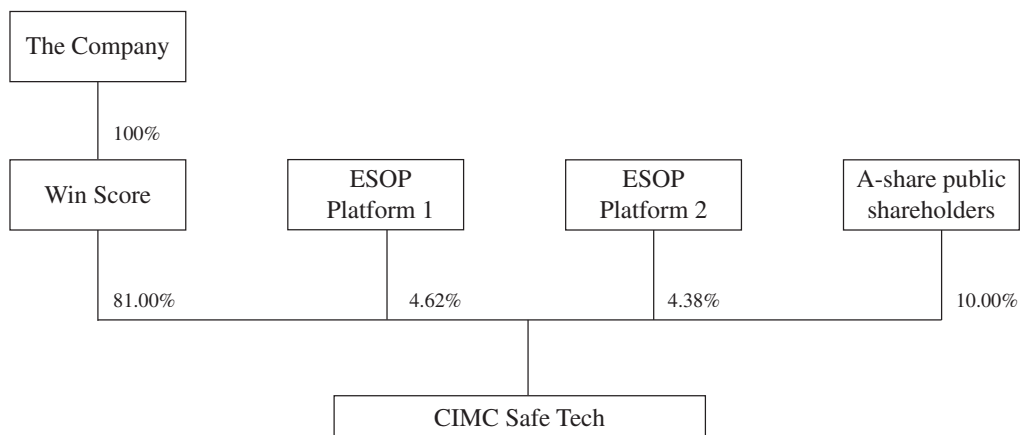
According to the section headed “Effects of the Proposed Spin-off on the shareholding structure of the Spin-off Company” in the “Letter from the Board” contained in the Circular, set out below is the simplified shareholding structure of the Spin-off Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Proposed Spin-off based on the current plan of the Proposed Spin-off:

(i) *as at the Latest Practicable Date*



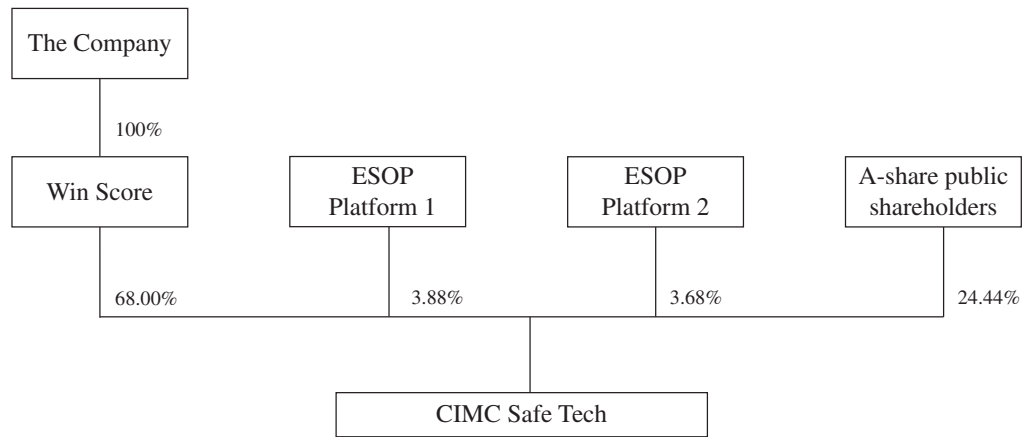
(ii) *immediately after completion of the Proposed Spin-off*

Assuming the offering size represents 10% of the enlarged issued share capital of the Spin-off Company:



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Assuming 165,000,000 shares of the Spin-off Company will be issued and there are no other changes to the total issued share capital of the Spin-off Company other than the shares to be issued under the Proposed A-Share Listing, i.e. the offering size represents approximately 24.44% of the enlarged issued share capital of the Spin-off Company:



It is expected that upon completion of the Proposed Spin-off, assuming that the Spin-off Company will offer not more than 165,000,000 new shares (representing approximately 24.44% of the enlarged issued share capital of the Spin-off Company), the maximum dilution of shareholding percentage of the Company in the Spin-off Company will be from 90% as at the Latest Practicable Date to 68%. Further details are discussed in the paragraph headed “(d) Dilution of interest in the Spin-off Group” under the section headed “6. Effects of the Proposed Spin-off on the Group” of this letter below.

(b) Offer price

The offer price of shares of the Spin-off Company to be offered under the Proposed A-Share Listing has not been fixed yet and is subject to market conditions close to the launch of the Proposed A-Share Listing and will be determined with reference to the then responses to the price consultation and other methods to be agreed between the Spin-off Company and the lead underwriter. In determination of the offer price, the Spin-off Company will take into account, among other things, (i) its historical operating results and financial performance; (ii) its business prospects; (iii) its expansion plan and capital needs; (iv) the responses to price consultation to the Proposed A-Share Listing in the book-building process; and (v) an appropriate price to earnings ratio to be determined by the Spin-off Company and the lead underwriter having considered those of comparable companies listed in Mainland China in the same industry as the Spin-off Company. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the directors of the Spin-off Company expect that the offer price per share of the Spin-off Company will be not lower than RMB6.67. Investors should be aware that the offer price of the Proposed A-Share Listing will be determined at a date close to the launch of the Proposed A-Share Listing based on the above factors, some of which are beyond the control of the Spin-off Company and the underwriter(s) of the Proposed A-Share Listing.

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(c) Intended use of proceeds

The net proceeds from the Proposed A-Shares Listing cannot be determined yet at this stage as the exact offer price and the size of the Proposed A-Shares Listing are not determined. It is currently expected that the net proceeds to be raised from the Proposed A-Shares Listing (after deducting related expenses) will be approximately RMB1 billion in consideration of the current expansion plan and the intended use of proceeds. However, investors should be aware that the estimated proceeds to be raised is for illustration purpose only, and that the amount of proceeds to be raised is subject to future business needs of the Spin-off Group and the market conditions close to the launch of the Proposed A-Share Listing.

As stated in the “Letter from the Board” contained in the Circular, the Company anticipates that the proceeds to be raised under the Proposed A-Share Listing will be applied to upgrade the current production efficiency, stabilise the supply chain, strengthen the after-sale service network, provide strong financial support for the Spin-off Group and accelerate its development. The Spin-off Company intends to apply the net proceeds from the Proposed A-Share Listing (after deducting related expenses) of approximately RMB1 billion based on the preliminary estimation in the following manner:

- (i) approximately 41.2% for the construction of flexible, green and intelligent “lighthouse” factories for tank containers;
- (ii) approximately 5.0% for the upgrade of after-sales services and intelligent network for tank containers;
- (iii) approximately 19.4% for the optimisation of manufacturing capacity for high-end medical supportive equipment;
- (iv) approximately 9.5% for the construction of non-ferrous metal precision components manufacturing center;
- (v) approximately 5.7% for the expansion of research and development center;
- (vi) approximately 4.2% for the informatisation and upgrade of operation system; and
- (vii) approximately 15.0% for supplementing the Spin-off Group’s working capital.

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The additional funds available to the Spin-off Group through the Proposed A-Share Listing will enhance financial position of the Spin-off Group and accelerate its business development. We have discussed with the Management and understand that the construction of flexible, green and intelligent “lighthouse” factories for tank containers will improve the Spin-off Group’s production capacity for special tank containers, allows the intelligentization of its production process, which can enhance core competitiveness and upgrade the production process to achieve better environmental protection result and higher efficiency of using raw materials. We also understand from the Management that the optimisation of manufacturing capacity for high-end medical supportive equipment and construction of non-ferrous metal precision components manufacturing center will help the Spin-off Group to develop its business, stabilise the supply chain and to enhance its manufacturing capacity and product quality. The other projects would improve the overall operational efficiency of the Spin-off Group with optimised management process and implementation of product intelligence. Also, we understand from the Management that the expansion of research and development center would enable the Spin-off Group to further enhance its leading position in the industries with improved manufacturing technology and product research and development abilities, which are considered to be beneficial to the business development of the Spin-off Group.

Shareholders are reminded that there is no assurance that the Proposed Spin-off and the Proposed A-Share Listing will proceed in a timely manner or proceed at all. If the Proposed Spin-off is postponed, terminated or lapsed, the Spin-off Company will use its best endeavours to finance the aforesaid projects with its funds or funds to be raised by other financing method(s), which may include, among other things, bank borrowings, and the gearing ratios of the Company and the Spin-off Company may be affected if debt financing is used to fund these projects.

As set out above, at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the directors of the Spin-off Company expect that the offer price per share of the Spin-off Company would not be lower than RMB6.67. Based on (a) such lowest offer price of RMB6.67 per share; and (b) the number of A shares to be offered representing no less than 10% of the enlarged issued share capital of the Spin-off Company after completion of the Proposed A-Share Listing, the Directors (excluding the independent non-executive Directors) and the directors of the Spin-off Company expect that the proceeds to be raised from the Proposed A-Share Listing will not be less than approximately RMB378 million. In the event that the net proceeds from the Proposed A-Share Listing (after deducting related expenses) is less than RMB1 billion, the Company will continue to proceed with the Proposed A-Share Listing. However, in the event that the gross proceeds to be raised from the Proposed A-Share Listing is less than the aforesaid minimum amount of approximately RMB378 million, the Company and the Spin-off Company will not proceed with the Proposed A-Share Listing.

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(d) Comparable companies

In assessing the pricing of the deemed disposal as a result of the Proposed A-Share Listing, we have performed an analysis based on comparable companies of the Spin-off Group with details set out below.

As mentioned in the section headed “2. Background and financial information of the Spin-off Group” above of this letter, the Spin-off Group will be principally engaged in the Chemical and Environmental Business and such business is divided into (a) design, manufacture and sales of standard tank containers, special tank containers and a wide range of multimodal logistics equipment, for the storage and multimodal transportation of bulk cargos, predominantly chemical, in the forms of liquid, gas and powder; and (b) provision of waste disposal solutions and manufacture and sales of equipment for the disposal of both hazardous and non-hazardous waste.

As advised by the Management, as at 31 December 2020, Manufacturing and sales of equipment for disposal of both hazardous and non-hazardous waste was at its initial construction, investment or research and development stage and only started to generate minimal revenue from external customers during 2020 with no significant impact on the performance and financial position of the Spin-off Group. As such, in order to provide the Independent Shareholders with a general reference regarding the valuation of companies with products of a similar nature to those of the Spin-off Group, we have conducted a search on Bloomberg on a best effort basis for companies (the “**Comparable Companies**”) primarily listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange which are principally engaged in the manufacture and sales of tank containers based on information available on the website of the respective listed companies and/or their respective latest annual reports up to the date prior to the Latest Practicable Date. In order to have a better comparison for assessment of valuation of the Spin-off Company, we have excluded companies (i) with revenue mainly generated from the manufacture and sale of tank containers for clean energy business and liquid food business as those businesses are more relevant to the Remaining Group; and (ii) products having a usage substantially different from the usage of containers manufactured by the Spin-off Group.

Based on the above selection criteria, we have identified one Comparable Company, namely Square Technology Group Company Limited (stock code: 603339:SH) (“**Square Technology**”), which is principally engaged in manufacturing and sale of tank containers, packaging and storage equipment, cold chain equipment and other products.

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The following table sets out the comparison of price-to-earnings (“P/E”) ratios of Square Technology, the Company and the Spin-off Company:

Company name	Principal activities <i>(Note 1)</i>	P/E <i>(Note 2)</i>
Square Technology Group Company Limited (stock code: 603339:SH) (“Square Technology”)	Manufactures and sells tank containers, packaging and storage equipment, cold chain equipment and other products	24.2
	The Company	18.3 <i>(Note 3)</i>
	The Spin-off Company based on current expected net proceeds of approximately RMB1 billion	25.2 to 61.5 <i>(Notes 4 and 5)</i>
	The Spin-off Company based on minimum proceeds of approximately RMB378 million	21.1 <i>(Notes 4 and 6)</i>

Source: Bloomberg

Notes:

1. Principal activities of Square Technology are sourced from its company website, annual report and Bloomberg.
2. P/E ratio of Square Technology is extracted from Bloomberg as at the Latest Practicable Date.
3. The implied P/E ratio of the Company is calculated based on (i) the market capitalisation of the Company of approximately HK\$12.71 billion as at the Latest Practicable Date; and (ii) the profit attributable to the owners of the Company of approximately RMB579.9 million (equivalent to approximately HK\$693.0 million at the exchange rate of RMB0.8368 = HK\$1) for the year ended 31 December 2020.
4. In light of the equity transfer of Nantong Energy as mentioned in the section headed “2. Background and financial information of the Spin-off Group” of this letter above, Nantong Energy ceased to be a subsidiary of the Spin-off Company after completion of the equity transfer in August 2020. As such, dividend income declared and paid by Nantong Energy, which had been included in the profit attributable to shareholders of the Spin-off Company, is not recurring in the future and therefore is not considered in the valuation of the Spin-off Company. After adjustment of the dividend income declared by Nantong Energy during the year of approximately RMB162.9 million, the adjusted profit attributable to shareholders of the Spin-off Company for the year ended 31 December 2020 is approximately RMB179.0 million.
5. The implied P/E ratios of the Spin-off Company are calculated by dividing (i) the estimated market capitalisation with reference to the expected net proceeds to be received from issuance of A-Shares on the Mainland China Stock Exchange by way of initial public offering to public investors in the market of approximately RMB1 billion, the estimated costs relating to the Proposed A-Shares Listing and the offering size of A-Shares to be offered over the enlarged issued share capital of the Spin-off Company, by (ii) the adjusted profit attributable to shareholders of the Spin-off Company

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for the year ended 31 December 2020 of approximately RMB179.0 million as discussed in note 4 above. The low-end P/E ratio represents the scenario of offering size of not more than 165,000,000 shares of the Spin-off Company (representing approximately 24.44% of the enlarged issued share capital of the Spin-off Company) while the high-end P/E ratio represents the scenario of offering size of 10% to the enlarged issued share capital of the Spin-off Company.

6. As set out above, at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the directors of the Spin-off Company expect that the offer price per share of the Spin-off Company would not be lower than RMB6.67. Based on (a) such lowest offer price of RMB6.67 per share; and (b) the number of A shares to be offered representing no less than 10% of the enlarged issued share capital of the Spin-off Company after completion of the Proposed A-Share Listing, the Directors (excluding the independent non-executive Directors) and the directors of the Spin-off Company expect that the proceeds to be raised from the Proposed A-Share Listing will not be less than approximately RMB378 million. With reference to such minimum proceeds of approximately RMB378 million and the adjusted profit attributable to shareholders of the Spin-off Company for the year ended 31 December 2020 of approximately RMB179.0 million as discussed in note 4 above, the implied P/E ratio of the Spin-off Company would be approximately 21.1 times.

As set out in the table above, the implied P/E ratios of the Spin-off Company range from approximately 21.1 to 61.5 times, depending on the amounts of new shares to be issued which would affect the offer price of the Proposed A-Share Listing. Such range of P/E ratio compares more favourably to the P/E ratio of the Company and, in general, compares more favourably to the P/E ratio of the Comparable Company, Square Technology as set out in the table above, with the low-end P/E ratio of the Spin-off Company slightly below the P/E ratio of Square Technology.

As set out above, we have identified one Comparable Company, namely Square Technology, based on our selection criteria as mentioned above, which, in our view, is a reference for Independent Shareholders regarding the valuation of companies listed on the Mainland China stock market engaging in the business of the Spin-off Group. It should be noted that Square Technology is listed on the Shanghai Stock Exchange while the Board and the board of directors of the Spin-off Company have not decided on the specific stock exchange or market in Mainland China which the Spin-off Company will issue its A shares. The investors base and valuation metrics could be different between the two stock exchanges in Mainland China, i.e. the Shenzhen Stock Exchange and the Shanghai Stock Exchange. We note that the P/E ratios of the Shenzhen Stock Exchange Composite Index and the Shanghai Stock Exchange Composite Index were approximately 45.2 times and 17.6 times respectively as at the Latest Practicable Date as quoted on Bloomberg. Such difference may mean that companies listed on the Shenzhen Stock Exchange may obtain a higher valuation than those listed on the Shanghai Stock Exchange. However, there would also be differences between the two markets in the valuation, investors' preference and investment appetite to the businesses and industries that a company is engaged in. Given that Square Technology meets our selection criteria, in particular, it is engaging in a business similar to the Spin-off Group, we consider that it is appropriate for the Independent Shareholders to assess the Proposed Spin-off with reference to the valuation of the Comparable Company listed above. In addition, in order to provide Shareholders with more information on the pricing of the Proposed Spin-off, we have further compared to the offer price determination basis of the Proposed Spin-off with other spin-off proposals, details of which are set out below.

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The Proposed Spin-off, if proceeded, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules involving a deemed disposal of the interest in a subsidiary of the Company. Accordingly, for comparison purpose, we have conducted a search to compare pricing basis of the offer price for spin-off proposals (the “**Precedent Proposals**”) involving A-share listing on Shanghai Stock Exchange or Shenzhen Stock Exchange which constitute major transactions and deemed disposals of relevant companies listed on the Main Board of the Stock Exchange, circulars of which were published between 1 January 2019 and 31 December 2020, a period which we consider appropriate to identify sufficient precedent spin-off proposals for the purpose of our analysis. We have identified three precedent spin-off proposals based on the above criteria, including (1) Tianneng Power International Limited (stock code: 819), (2) Yip’s Chemical Holdings Limited (stock code: 408) and (3) China Railway Construction Corporation Limited (stock code: 1186), which represent a representative and exhaustive list based on our selection criteria. Based on the review of the circulars of the Precedent Proposals, in determination of the offer price, it is noted that majority of the above listed companies (including (1) and (2) above) would take into account, among other things, (i) historical operating results and financial performance of the spin-off company; (ii) the business prospects of the spin-off company; (iii) the expansion plan and capital needs of the spin-off company; (iv) the responses to price consultation to the proposed A-share listing in the book-building process; and (v) reference to valuation of comparable companies listed in Mainland China in the same industry as the spin-off company. For the case of (3), the offer price would be determined through price enquiry from professional institutional investors, such pricing basis is also included in the cases of (1) and cases (2). The pricing basis of the offer price of the Proposed A-Share Listing (details are set out in the sub-section headed “(b) Offer price” of this letter above) are similar to the factors considered by other companies in the Precedent Proposals, and we consider that the basis for determining the offer price is in line with the market practice.

Given that (i) the pricing basis of the offer price for the Proposed Spin-off is comparable with other Precedent Proposals; (ii) the implied P/E ratio of the Spin-off Company compares more favourably to the P/E ratio of the Company and, in general, compares more favourably to the P/E ratio of the Comparable Company as discussed above; and (iii) the benefits to be brought to the Group as a result of the Proposed Spin-off, details of which are set out in the section headed “3. Reasons for and benefits of the Proposed Spin-off” of this letter above, we consider that the Proposed Spin-off would unlock the value of the Spin-off Company and create a higher market value in the Mainland China Stock Exchange, which will be in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the calculation of the implied P/E ratio of the Spin-off Company and the comparison above is for illustrative purposes only. The actual amount of proceeds to be raised from the Proposed A-Share Listing and the actual P/E ratio of the Spin-off Company will be subject to the share market conditions in Mainland China at the time of the Proposed A-Share Listing, and the financial performance of the Spin-off Group before its listing.

6. Effects of the Proposed Spin-off on the Group

Set out below are the possible effects of the Proposed Spin-off on the Group and the analysis of the financial effects of the Proposed Spin-off as illustrated below is based on the current structure of the Proposed Spin-off.

(a) Effect on net asset value

The net proceeds from the Proposed A-Share Listing will increase the cash recorded in the consolidated balance sheet of the Group and total assets will increase accordingly. The Proposed Spin-off will not materially affect the liabilities of the Group and hence the level of net assets is expected to increase subsequently.

The estimated change in the Group's net assets as mentioned above is based on, among other things, the terms of the Proposed Spin-off and the Proposed A-Share Listing. Accordingly, the actual change in the Group's net assets will be subject to the final structure of the Proposed Spin-off, and the financial position of the Spin-off Group immediately upon the completion of the Proposed Spin-off.

(b) Effect on earnings

The Spin-off Company will continue to be accounted for as a subsidiary of the Company upon completion of the Proposed Spin-off and the financial results of the Spin-off Group will continue to be consolidated into the accounts of the Group. The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among other things, the return generated from the proceeds raised from the Proposed A-Share Listing as well as the future business operations of the Spin-off Group. For details of the benefits to be brought about by the Proposed Spin-off, please refer to the section headed "3. Reasons for and benefits of the Proposed Spin-off" of this letter above. As advised by the Management, the Proposed Spin-off will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the Spin-off Company. It is expected that there would be no gain or loss on the deemed disposal and the Proposed Spin-off to be recognised in the Company's consolidated income statement upon the completion of the Proposed Spin-off in accordance with Hong Kong Financial Reporting Standards 10. The difference between the amount by which the non-controlling interest is adjusted and the net proceeds raised from the Proposed A-Share Listing will be recorded in equity attributed to the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following completion of the Proposed Spin-off and without considering any changes in the earnings generated from the Spin-off Group after such completion, the Group's profit attributable to owners of the Company contributed by the Spin-off Company is expected to be reduced as the Company's interest in the Spin-off Group will be reduced. Consequently, profit attributable to the non-controlling interests of the Company is expected to increase.

(c) Effect on working capital and gearing of the Group

In view of the significant cash proceeds from the Proposed A-Share Listing to be received by the Spin-off Company, which will remain as a subsidiary of the Company, we are of the view that the working capital position of the Group would improve as a result of the Proposed Spin-off.

The Group's gearing ratio (calculated as total of bank loans, loans from related parties and other borrowings, divided by total equity) of the Group was approximately 13.6% as at 31 December 2020. On the above basis and taking into account the expected net proceeds from the Proposed A-Share Listing, the Group's gearing ratio is expected to decrease upon the completion of the Proposed Spin-off.

(d) Dilution of interest in the Spin-off Group

Under the Proposed Spin-off, the issue of new shares of not more than 165,000,000 shares (representing approximately 24.44% of the enlarged issued share capital of the Spin-off Company) will at maximum dilute the Company's interest in the Spin-off Company from 90% as at the Latest Practicable Date to 68% immediately after completion of the Proposed Spin-off. In our opinion, such dilution, albeit not immaterial, is acceptable to the Shareholders taking into consideration the benefits to be derived from the Proposed Spin-off as discussed in the sub-sections above and the section headed "3. Reasons for and benefits of the Proposed Spin-off" of this letter, including, among other things, the expected increase in net asset value and working capital, improvement in gearing ratio, the availability of additional fund-raising platform, clearer business delineation for more efficient resource allocation and facilitation of operation efficiency, and the potential business development and growth of the Spin-off Group with the applications of proceeds from the Proposed A-Share Listing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Waiver in respect of Assured Entitlement

Pursuant to paragraph 3(f) of PN 15, the Board is required to give due regard to the interests of the existing Shareholders by providing the Shareholders with an assured entitlement to the A-shares of the Spin-off Company, either by way of a distribution in specie of existing shares of CIMC Safe Tech, or by way of a preferred application in the offering of existing or new shares of CIMC Safe Tech (the “**Assured Entitlement**”).

As stated in the “Letter from the Board” contained in the Circular, under the relevant laws in Mainland China and as advised by the Mainland China legal advisers of the Company, A-shares listed and traded on the relevant Mainland China Stock Exchanges can only be held by (i) Mainland China citizens; (ii) residents of Hong Kong, Taiwan and Macao working and residing in Mainland China; (iii) foreigners who have obtained permanent residence right in Mainland China; (iv) foreign natural persons who work in Mainland China and whose home country has established a regulatory cooperation mechanism with Mainland China Stock Exchange and the CSRC; (v) qualified Mainland China institutional investors such as securities companies, insurance companies, securities investment funds, social security funds, etc.; (vi) qualified foreign institutional investors approved by the CSRC; and (vii) foreign strategic investors approved by the Department of Commerce of Mainland China. It is expected that most of the existing Shareholders do not fall into this category.

As further stated in the “Letter from the Board” contained in the Circular and advised by the Mainland China legal advisers of the Company, save as special circumstances (i.e. not less than 40% of shares offered under the placing tranche shall be first placed with publicly offered funds, social security funds, pension, enterprise annuity funds established in accordance with the Measures for the Management of Enterprise Annuity Funds (《企業年金基金管理辦法》) and insurance funds that satisfy the provisions of the Measures for the Administration of the Utilization of Insurance Funds (《保險資金運用管理辦法》) and other relevant provisions), no preferential allocations of the shares shall be made to any specific persons on the ground that all investors shall be treated equally, according to the Securities Law of Mainland China (《中華人民共和國證券法》), Measures for the Administration of the Offering and Underwriting of Shares (《證券發行與承銷管理辦法》) and other relevant laws and regulations. As such, the existing shareholders of the Company are not entitled to the Assured Entitlement. As there are legal impediments to provide the existing Shareholders the Assured Entitlement, and such legal impediments cannot be overridden, it would be impractical and unduly burdensome for the Company to inquire into every existing Shareholder to ascertain each of their qualifications for the Assured Entitlement; and it would be unduly burdensome for the Company to seek minority Shareholders’ approval to waive the Assured Entitlement at a general meeting as the legal restriction could not be overridden even if the resolution was voted down.

By reason of the above, the Company has also applied for and the Stock Exchange has granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of PN 15.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

DISCUSSION

The Group is principally engaged in the design, development, manufacture, engineering and sales of transportation, storage and processing equipment and the provision of technical maintenance services. It operates its business through three major business segments, namely (i) the Clean Energy Business; (ii) the Chemical and Environmental Business; and (iii) the Liquid Food Business. The Spin-off Group, which is the subject of the Proposed Spin-off, is principally engaged in the Chemical and Environmental Business, i.e. design, manufacture and sales of standard and special tank containers and a wide range of multimodal logistics equipment, for the storage and multimodal transportation of bulk cargoes, predominantly chemical, and provision of waste disposal solutions. This business is clearly delineated from the business of the Remaining Group upon completion of the Proposed Spin-off. The Proposed Spin-off allows both the Remaining Group and the Spin-off Group to have separate fundraising platforms and a better focus of resources on their respective business operations.

Under the expected structure of the Proposed Spin-off, the net proceeds to be raised from the issuance of A-shares of the Spin-off Company on the Mainland China Stock Exchange by way of initial public offering to public investors in the market will be approximately RMB1.0 billion with a minimum gross proceeds amount of approximately RMB378 million. This will be used for the Spin-off Group's future development so as to upgrade the current production efficiency, stabilise the supply chain, strengthen the after-sale service network, provide strong financial support for the Spin-off Group and accelerate its development. Fresh capital to be raised by the Spin-off Group through the Proposed A-Share Listing is expected to enhance its business operations and take advantage of new opportunities.

After the Proposed Spin-off, apart from the Company's interest (at least approximately 68%) in the Spin-off Company, the Remaining Group will continue to engage mainly in the Clean Energy Business and the Liquid Food Business, i.e. design, manufacturing and sales of equipment and solutions for the entire clean energy industrial chain and the design, manufacturing and installation of turnkey breweries and distilleries, stainless steel process and storage tanks. The Company will retain the Spin-off Company as a subsidiary following the Proposed Spin-off, and accordingly will continue to retain control and indirectly benefit from its future profits and growth. It is expected that the net asset and cash flow positions of the Group will be improved as a result of the Proposed Spin-off.

The maximum dilution of the Company's interest in the Spin-off Company is expected to be 22%. We consider such level of dilution acceptable, taking into account the benefits which may be derived from the Proposed Spin-off as discussed in this letter. A waiver from strict compliance with the PN 15 requirements in relation to the assured entitlement under the Proposed Spin-off has been obtained by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have performed an analysis of the implied P/E ratio of the Proposed Spin-off based on current structure of the Proposed Spin-off, including the expected net proceeds to be raised from the Proposed A-Share Listing of approximately RMB1 billion and the minimum gross proceeds of approximately RMB378 million, and have also compared the offer price determination basis of the Proposed Spin-off to other Precedent Proposals, details of which are set out in the sub-section headed “(d) Comparable companies” of the section headed “5. Principal structure of the Proposed Spin-off” of this letter above. We consider that the Proposed Spin-off would unlock the value of the Spin-off Company and create a higher market value in the Mainland China Stock Exchange, which will be in the interests of the Company and its Shareholders as a whole.

Overall, we are of the view that the Proposed Spin-off is a strategic move for the Group to finance the development of its Chemical and Environmental Business at advantageous pricing. This should also result in an increase in net assets of the Group, strengthening its financial position. The Proposed Spin-off, if realised, will create a separate funding platform providing financing flexibility for the Spin-off Group, allowing it to have a direct access to the Mainland China capital market and to enhance its possibility to explore new financing and fund raising channels for the development of its business.

Shareholders of the Company should note that the Proposed Spin-off is subject to, among other things, obtaining approvals from the relevant regulatory authorities, market conditions and other factors. There is no assurance that the Proposed Spin-off will take place or as to when it will take place. Also, if the gross proceeds to be raised from the Proposed A-Share Listing is lower than RMB378 million, the Proposed A-Share Listing will not proceed.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Independent Shareholders are concerned and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 31 December 2020 are disclosed in the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020, which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at www.enricgroup.com and the website of the Stock Exchange at www.hkexnews.hk.

Web links to the annual reports of the Company are set out below:

Annual report of the Company for the year ended 31 December 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn20190409804.pdf>

Annual report of the Company for the year ended 31 December 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041601055.pdf>

Annual report of the Company for the year ended 31 December 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0412/2021041200791.pdf>

2. INDEBTEDNESS

As at the close of business on 28 February 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the borrowings of the Group comprised the following indebtedness:

	As at 28 February 2021 (unaudited) (RMB'000)
Borrowings	
Unsecured and unguaranteed:	
Bank loans	273,668
Loans from related parties	380,000
Sub-total	653,668
Unsecured and guaranteed	
Bank loans	20,000
Loans from related parties	207,255
Sub-total	227,255
Secured by assets owned by the Group and unguaranteed:	
Bank loans	–
Loans from related parties	–
Other borrowings (e.g. finance lease)	48,992
Sub-total	48,992
Total borrowings	929,915

Lease liabilities

As at the close of business on 28 February 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had lease liabilities of RMB116,819,000 relating to various offices, warehouses, equipment and vehicles leased by the Group as lessee.

Contingencies

Guarantee

A non-wholly owned subsidiary of the Group provided guarantee and pledged certain of its assets as collaterals to its non-controlling shareholder in respect of the non-controlling shareholder's bank borrowings. As at 28 February 2021, the Group's maximum exposure to such guarantee was approximately RMB20,000,000.

Performance guarantees

As at 28 February 2021, the Group had outstanding bank guarantees issued by relevant banks totalling RMB771,104,000 in respect of the Group's performance of services or goods.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or authorised or otherwise created but unissued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or contingent liabilities at the close of business on 28 February 2021.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group including the internally generated funds, available bank facilities and additional financing provided through issuance of new shares of the Spin-off Company, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company achieved sustainable development in the year 2020. It will remain focused on its principal businesses, while at the same time seizing new opportunities for development in a prudent manner and increasing its effort in overseas market expansion.

(a) The Spin-off Group

In the areas of design, manufacturing and sales of tank containers, the Spin-off Group has developed after-sales services for tank containers for the sake of offering full-life-cycle services. The Spin-off Group provides tank container services with an operation of a yard in Jiaxing, China. It will shape a service network of an "interactive model across China and Europe" together with the yards in Europe. Meanwhile, the Spin-off Group has eagerly promoted the application of Internet of Things technology to tank containers by launching a one-stop platform, "Tankmiles", exclusively designed for whole life cycle of tank containers, spanning monitoring, operational management and after-sale services, which

will enhance its ability to provide customers with after-sales service for tank containers by helping customers to strengthen digitalisation and improve efficiency.

As to the recently developed environmental business, the Spin-off Group completed construction of the first integrated utilisation project of hazardous waste, which focused on R&D of integrated utilisation of mine tailings and solid waste resources from stone processing industry, offering new type of eco-friendly and functional construction materials to the industries of, among others, prefabricated building, rail transport as well as engineering and decoration in 2019. The Spin-off Group also completed construction of the first integrated utilisation project of general industrial solid waste, laying a foundation of the project for commencement of production.

The Spin-off Group will remain committed to the provision of chemical logistics solution and one-stop service for customers. With the support of national policies, the Spin-off Group addresses China's growing demand for solid waste and hazardous waste treatment, develops capabilities for key equipment manufacturing and building up systems integration abilities for environmental protection purpose. The Spin-off Group is actively exploring business opportunities in environment protection sector and the future development is expected.

(b) The Remaining Group

(i) Clean energy segment

The Remaining Group is China's only manufacturer of equipment manufacturing and provider of engineering services claiming full coverage of the natural gas value chain and capable of providing one-stop system solutions, and is one of those with highest market share in certain product lines. For instance, the Remaining Group is leading in China in terms of production and sales volume of LNG, LPG, CNG, oxygen, nitrogen and argon storage and transportation products.

The Remaining Group achieved remarkable performance and breakthroughs in other clean energy markets, such as storage, transportation and bunkering equipment of hydrogen energy, storage and transportation equipment of nuclear fuel, storage, transportation and bunkering equipment of LPG.

The clean energy segment will continue to pursue strategies such as the optimisation of operation, capacity integration and business synergy, as it continues to reinforce and expand its general capabilities in key equipment manufacturing, engineering service and the provision of total solution for natural gas transportation, storage and terminal application, in a bid to develop end-to-end business presence along the natural gas industry chain. At the same time, the segment will be engaged in developing solutions for natural gas storage and transportation, LNG traffic fuel

applications, city peak shaving facilities and LNG intermodal transportation, and offshore LNG application while actively exploring opportunities to diversify to other segments in the clean energy business chain, in order to secure sustainable and stable development.

(ii) Liquid food segment

In recent years, the liquid food industry has been growing abruptly. The Remaining Group's liquid food business is well positioned in the industry and management sees further opportunities for growth. The focus of the Remaining Group's liquid food segment is to expand current business in existing markets, to introduce innovative products and services, and to expand its customers base. Additionally, it will focus to diversify itself by using existing equipment and services into new and adjacent markets, e.g. dairy, juice and pharmaceuticals.

Future growth could also be achieved via further diversification by using existing equipment and services into new markets. The segment would continue to provide reliable, economical and innovative solutions and products to its customers, in order to enable them an efficient, cost effective, sustainable production with the highest quality and safety standards.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO); or (b) entered in the register required to be kept under Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to were as follows:

(a) Long positions

Name of Director	Capacity	No. of Shares held and interests in underlying Shares pursuant to share options	% of issued share capital (Note)
Gao Xiang	Beneficial owner	1,600,000	0.08%
Yang Xiaohu	Beneficial owner	1,320,000	0.07%
Yu Yuqun	Beneficial owner	840,000	0.04%
Wang Yu	Beneficial owner	240,000	0.01%
Zeng Han	Beneficial owner	490,000	0.02%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	300,000	0.01%

Note: The percentage was calculated based on 2,015,694,588 Shares in issue as at the Latest Practicable Date.

(b) Long positions in the underlying Shares of equity derivatives of the Company*Share option scheme*

Options were granted by the Company on 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006.

Name of Director	Capacity	Exercise Price (HK\$)	Interests in underlying Shares pursuant to share options	Exercisable period	% of issued share capital (Note 1)
Gao Xiang	Beneficial owner	2.48	500,000	28/10/2013-27/10/2021	0.02%
		11.24	400,000	05/06/2016-04/06/2024	0.02%
Yang Xiaohu	Beneficial owner	2.48	200,000	28/10/2013-27/10/2021	0.01%
		11.24	400,000	05/06/2016-04/06/2024	0.02%
Yu Yuqun	Beneficial owner	2.48	300,000	28/10/2013-27/10/2021	0.01%
		11.24	300,000	05/06/2016-04/06/2024	0.01%
Tsui Kei Pang	Beneficial owner	2.48	300,000	28/10/2013-27/10/2021	0.01%
		11.24	300,000	05/06/2016-04/06/2024	0.01%
Zhang Xueqian	Beneficial owner	11.24	300,000	05/06/2016-04/06/2024	0.01%

Notes:

- (1) The percentage was calculated based on 2,015,694,588 Shares in issue as at the Latest Practicable Date.
- (2) Regarding the share options granted on 28 October 2011: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 28 October 2013 and up to 27 October 2021; 30% of which become exercisable from 28 October 2014 and up to 27 October 2021; and the remaining 30% of which become exercisable from 28 October 2015 and up to 27 October 2021. The exercise price of all the options granted is HK\$2.48 per Share.
- (3) Regarding the share options granted on 5 June 2014: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HK\$11.24 per Share.

(c) Long positions in the underlying shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares	% of the share capital ^(Note 2)
CIMC Safe Tech	Gao Xiang	Others ^(Note 1)	1,700,000	0.33%
	Yang Xiaohu	Others ^(Note 1)	11,152,000	2.19%
	Yu Yuqun	Others ^(Note 1)	680,000	0.13%
	Wang Yu	Others ^(Note 1)	680,000	0.13%
	Zeng Han	Others ^(Note 1)	680,000	0.13%

Notes:

- (1) Each of Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han were interested in the share capital of CIMC Safe Tech, an associated corporation of the Company, which was held by ESOP Platform 2 on each of their behalf pursuant to the Scheme.
- (2) The percentage is calculated based on number of issued shares of CIMC Safe Tech as at the Latest Practicable Date, which was 510,000,000.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital, were as follows:

Substantial Shareholder	Capacity	Number of Shares held	% of issued share capital ^(Note 1)
Long position			
CIMC	Interest of controlled corporation	1,371,016,211 ^(Note 2)	68.02%
China International Marine Containers (Hong Kong) Limited (“CIMC HK”)	Interest of controlled corporation	190,703,000 ^(Note 3)	9.46%
	Beneficial owner	1,180,313,211	58.56%
Charm Wise Limited (“Charm Wise”)	Beneficial owner	190,703,000 ^(Note 3)	9.46%

Notes:

- (1) The percentages are calculated based on the total number of ordinary shares of the Company in issue as at Latest Practicable Date which was 2,015,694,588.
- (2) These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise and 1,180,313,211 ordinary shares held by CIMC HK. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC.
- (3) The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is a wholly-owned subsidiary of CIMC HK.

4. DIRECTORSHIPS AND EMPLOYMENT OF THE DIRECTORS WITH COMPANIES HAVING DISCLOSEABLE INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the Directors who were directors or employees of companies which 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 were as follows:

Name of Company	Name of Director	Position(s) held
CIMC	Gao Xiang	President
	Yu Yuqun	Vice president
	Wang Yu	General manager of legal department and assistant to the president
	Zeng Han	General manager of financial department

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

6. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. LITIGATION

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

9. EXPERT AND CONSENT

The following is the qualification of the expert which has given its opinion or advice which is contained in this circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, Somerley Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Somerley Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which they appear.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, no contracts (contracts not being entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material.

11. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Cheong Siu Fai who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of International Accountants in the United Kingdom.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong from the date of this circular up to and including a date which in any event is not less than 14 days from the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;

- (c) the letter from the Independent Board Committee, which is set out on pages IBC-1 of this circular;
- (d) the letter from the Independent Financial Adviser, which is set out on pages IFA-1 to IFA-29 of this circular; and
- (e) this circular.

13. MISCELLANEOUS

In the event of any inconsistency, the English language text of this circular (other than the names of the legal entities established in Mainland China) shall prevail over the Chinese language text.

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of CIMC Enric Holdings Limited (the “**Company**”) will be held at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 21 May 2021 at 4:00 p.m.. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the spin-off of CIMC Safeway Technologies Co., Ltd* (中集安瑞環科技股份有限公司) (the “**Spin-off Company**”), currently an indirect non-wholly owned subsidiary of the Company, and a separate listing of the shares of the Spin-off Company on a stock exchange in the People’s Republic of China (the “**Proposed Spin-off**”) be and is hereby approved; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to do all such acts and sign all such documents and to enter into all such transactions and arrangements as may be necessary or expedient in order to ensure smooth implementation of and to give effect to the Proposed Spin-off.”

By Order of the Board
CIMC Enric Holdings Limited
Gao Xiang
Chairman

Hong Kong, 23 April 2021

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM (or any adjournment thereof) if such member of the Company so desires, and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM (or any adjournment thereof), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. As at the date of this notice, the board of directors of the Company consists of Mr. Gao Xiang (Chairman) as non-executive Director; Mr. Yang Xiaohu (General Manager) as executive Director; Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han as non-executive Directors; and Ms. Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong as independent non-executive Directors.

* *For identification purpose only*