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

If you have sold or transferred all your shares in **Tianneng Power International Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**TIANNENG POWER INTERNATIONAL LIMITED****天能動力國際有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 00819)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION:
DEEMED DISPOSAL OF INTERESTS IN A CONNECTED SUBSIDIARY
AND GRANT OF PUT OPTION
AND**

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the IBC and the Independent Shareholders

ALTUS CAPITAL LIMITED

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

The Board Letter is set out on pages 7 to 28 in this circular. The IBC Letter is set out on pages 29 to 30 in this circular. The IFA Letter is set out on pages 31 to 43 in this circular.

A notice convening the EGM to be held at Conference Room, 3/F., Tianneng Group Building, No. 18 Baoqiao Road, Huaxi Industrial Function Zone, Changxing County, Zhejiang, China on Friday, 14 July 2023 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

28 June 2023

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DEFINITIONS

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

“Altus” or “IFA”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the IBC and the Independent Shareholders on the Subject Transactions
“associate”	has the meaning ascribed to it under the Listing Rules
“Binhai Base”	as defined in section 4 of the Board Letter
“Board”	the board of Directors
“Board Letter”	the section headed “LETTER FROM THE BOARD” of this circular
“Capital Increase”	the increase in the capital of Party A pursuant to the subscription of the New Registered Capital at the Total Subscription Price
“Capital Increase Agreement”	the Capital Increase Agreement dated 5 May 2023 in relation to the Capital Increase entered into among Party A, Parties B and Parties C
“Company”	Tianneng Power International Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“Completion”	completion of the Capital Increase in accordance with the Capital Increase Agreement
“Completion Conditions”	the conditions for Completion contained in the Capital Increase Agreement as summarised in section 2.6(a) of the Board Letter
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director”	a director of the Company
“Dr. Zhang”	Dr. Zhang Tianren (張天任), the chairman of the Board, and a controlling shareholder and an executive Director

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held on Friday, 14 July 2023 for the Independent Shareholders to consider and, if thought fit, approve the Subject Transactions (including any adjournment thereof)
“Group”	the Company and its subsidiaries
“HKSAR” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IBC”	the independent board committee of the Company established in accordance with the Listing Rules to advise and to make recommendations to the Independent Shareholders on the Subject Transactions
“IBC Letter”	the section headed “LETTER FROM THE IBC” of this circular
“IFA Advice”	the advice given by the IFA as set out in the IFA Letter
“IFA Letter”	the letter issued by the IFA as set out in the section headed “LETTER FROM THE IFA” in this circular
“Independent Director”	an independent non-executive Director
“Independent Shareholders”	shareholders who are not involved in, or interested in, the Subject Transactions (other than their interests as a Shareholder) and who are entitled to attend and vote at the EGM under all the applicable laws and rules (including without limitation the Listing Rules)
“Independent Third Party”	a party who is independent of, and not connected with, the Company and its connected persons
“Latest Practicable Date” or “LPD”	21 June 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Registered Capital”	the new registered capital of Party A in the amount of RMB39,216,000 agreed to be subscribed to by Parties B pursuant to the Capital Increase Agreement

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“Outside Investors”	collectively, Party B1, Party B2, Party B3, Party B4, Party B5, Party B6, Party B7, Party B8, Party B9, Party B10, Party B11, Party B12, Party B13, Party B14 and Party B15
“Parties B”	collectively, the Outside Investors and the Tianneng Investors, and Party B means any one of them
“Parties C”	collectively, Party C1, Party C2 and Party C3, and Party C means any one of them
“Party A”	Zhejiang Tianneng New Materials Co., Ltd.* (浙江天能新材料有限公司), a limited company established under the laws of the PRC
“Party B1”	Jiaxing Puhua Chengan Venture Investment Partnership (Limited Partnership)* (嘉興普華澄安創業投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B2”	Small and Medium Enterprises Development Fund Puhua (Hangzhou) Venture Capital Partnership (Limited Partnership)* (中小企業發展基金普華(杭州)創業投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B3”	CICC Win-Win Qijiang (Shanghai) Science and Technology Innovation Equity Investment Fund Partnership (Limited Partnership)* (中金共贏啟江(上海)科創股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B4”	Anhui Traffic Control Zhongjin Industrial Development Fund Partnership (Limited Partnership)* (安徽交控中金產業發展基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B5”	Hubei Communications Investment Zhongjin Ruizhi Venture Capital Fund Partnership (Limited Partnership)* (湖北交投中金睿致創業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B6”	Dinglu (Xiamen) Equity Investment Partnership (Limited Partnership)* (鼎路(廈門)股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B7”	Shenzhen Kunpeng Guangyuan Private Equity Investment Fund Partnership (Limited Partnership)* (深圳鯤鵬光遠私募股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC

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“Party B8”	Wuxi Guangyuan Jinpan New Energy Equity Investment Fund Partnership (Limited Partnership)* (無錫光遠金盤新能源股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B9”	Wuxi Transocean Equity Investment Partnership (Limited Partnership)* (無錫越洋股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B10”	Qingdao Lujia New Energy Venture Capital Fund Partnership (Limited Partnership)* (青島鷺嘉新能創業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B11”	Hangzhou Fuzhe Zitong Equity Investment Partnership (Limited Partnership)* (杭州富浙資通股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B12”	Wuxi Chengding Smart Cities Venture Equity Investment Fund Partnership (Limited Partnership)* (無錫誠鼎智慧城市創業股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B13”	Nanjing Chuangding Jinhe Venture Capital Partnership (Limited Partnership)* (南京創鼎錦和創業投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B14”	Phase II (Hubei) Debt-to-Equity Swap Investment in Agriculture, Finance and High Technology Fund Partnership (Limited Partnership)* (農金高投二期(湖北)債轉股投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B15”	CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership)* (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B16”	Changxing Yuxiang Investment Partnership (Limited Partnership)* (長興鈺祥投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party B17”	Changxing Yujin Investment Partnership (Limited Partnership)* (長興鈺金投資合夥企業(有限合夥)), a limited partnership established in the PRC

DEFINITIONS

“Party B18”	Changxing Yurui Investment Partnership (Limited Partnership)* (長興鈺瑞投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Party C1”	Tianneng Holding Group Co., Ltd.* (天能控股集團有限公司), a limited company established under the laws of the PRC
“Party C2”	Tianchang Holding Co., Ltd.* (天暢控股有限公司), a limited company established under the laws of the PRC
“Party C3”	Zhejiang Tianneng Commercial Management Co., Ltd.* (浙江天能商業管理有限公司), a limited company established under the laws of the PRC
“percentage ratios”	has the meaning ascribed to it under rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular only, excludes Taiwan, Hong Kong and the Macao Special Administrative Region
“Put Option”	the option granted to Parties B and exercisable by Parties B to sell at its discretion all or part of the equity interests held by Parties B in Party A to Party A and/or Party C1 pursuant to the terms and conditions of the Shareholders Agreement
“Qualified Listing”	the listing of the shares of Party A on the A Shares market in the PRC (including Shanghai Stock Exchange and the Shenzhen Stock Exchange only) and other markets as agreed by the parties to the Capital Increase Agreement
“Registered Capital Table”	as defined in section 2.3 of the Board Letter
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder”	a holder of the Shares
“Shareholders Agreement”	the shareholders’ agreement of Party A dated 5 May 2023 and entered into among Party A, Parties B and Parties C
“Shares”	ordinary shares of par value of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subject Transactions”	all or any transactions provided under, contemplated by, in connection with, or incidental to, each or any of (i) the Capital Increase Agreement; and (ii) the Shareholders Agreement
“Tianneng Investors”	collectively, Party B16, Party B17 and Party B18
“Total Subscription Price”	the total amount payable by Parties B for the subscription of the New Registered Capital, being RMB1,000,000,000

Notes:

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this circular in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*

LETTER FROM THE BOARD



TIANNENG POWER INTERNATIONAL LIMITED

天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

Executive Directors:

ZHANG Tianren (*Chairman*)
ZHANG Aogen
SHI Borong
ZHANG Kaihong
ZHOU Jianzhong

Registered Office:

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

Independent Non-executive Directors:

HUANG Dongliang
ZHANG Yong
XIAO Gang

*Head office and principal place of
business in Hong Kong:*

Suite 3202, 32nd Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

28 June 2023

To the Shareholders

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION:
DEEMED DISPOSAL OF INTERESTS IN A CONNECTED SUBSIDIARY
AND GRANT OF PUT OPTION
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 5 May 2023 wherein the Company announced, among other things, that the Parties had entered into the Subject Transactions.

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The purpose of this circular is to provide you with, among other things, (i) further details of the Subject Transactions; (ii) the recommendation from the IBC in respect of the Subject Transactions; (iii) the IFA Advice; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

2. THE CAPITAL INCREASE AGREEMENT

Set out below is a summary of the principal terms of the Capital Increase Agreement and the relevant information.

2.1 Date

5 May 2023 (after trading hours).

2.2 Parties

The parties to the Capital Increase Agreement are:

- (a) Party A, a connected subsidiary of the Company (more information of which is disclosed in section 6 of the Board Letter);
- (b) Parties B (more information of which is disclosed in section 7.3 of the Board Letter); and
- (c) Parties C, comprising:
 - (i) Party C1 and Party C3, two indirect wholly-owned subsidiaries of the Company who are the existing shareholders of Party A (more information of which is disclosed in section 7.1 of the Board Letter); and
 - (ii) Party C2, a connected person of the Company who is an existing shareholder of Party A (more information of which is disclosed in section 7.2 of the Board Letter).

2.3 Subscription of the new registered capital of Party A

Pursuant to the Capital Increase Agreement, Parties B agreed to pay the Total Subscription Price (RMB1,000,000,000) to subscribe to the New Registered Capital (RMB39,216,000, representing approximately 28.57% of the registered capital of Party A as enlarged by the Capital Increase). The Total Subscription Price will be contributed to the capital of Party A as follows: (i) RMB39,216,000 will be contributed to the registered capital; and (ii) RMB960,784,000 will be contributed to the reserved capital. Upon Completion, the registered capital of Party A will be increased from RMB98,040,000 to RMB137,256,000. The subscription price payable by each Party B will be calculated on the basis of the subscription price of RMB25.50 for each RMB1.00 in the New Registered Capital.

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The table depicted below (“**Registered Capital Table**”) sets out (i) the amount of the registered capital of Party A owned by the existing shareholders (see information set out in the second column opposite to the respective Parties C); (ii) the amount of the new registered capital of Party A agreed to be subscribed to by each of Parties B pursuant to the Capital Increase Agreement (see information set out in the second column opposite to the respective Parties B); (iii) the shareholding structure of Party A as at the LPD (see information set out in the third column); and (iv) the shareholding structure of Party A upon Completion (see information set out in the fourth column):

	Amount of registered capital of Party A owned as at the Latest Practicable Date (in the case of Parties C) and will be owned upon Completion (in the case of both Parties B and Parties C) (RMB)	Percentage of equity interest in Party A as at the Latest Practicable Date (%)	Percentage of equity interest in Party A upon Completion (%)
Party C1 (<i>Note 1</i>)	50,000,000	51.00	36.43
Party C2	34,314,000	35.00	25.00
Party C3 (<i>Note 1</i>)	13,726,000	14.00	10.00
Party B1	3,921,600	N/A	2.86
Party B2	3,921,600	N/A	2.86
Party B3	2,745,100	N/A	2.00
Party B4	2,745,100	N/A	2.00
Party B5	1,960,800	N/A	1.43
Party B6	392,200	N/A	0.29
Party B7	1,960,800	N/A	1.43
Party B8	1,176,500	N/A	0.86
Party B9	784,300	N/A	0.57
Party B10	3,921,600	N/A	2.86
Party B11	3,921,600	N/A	2.86
Party B12	980,400	N/A	0.71
Party B13	980,400	N/A	0.71
Party B14	1,960,800	N/A	1.43
Party B15	3,921,600	N/A	2.86
Party B16 (<i>Note 2</i>)	1,341,200	N/A	0.97
Party B17 (<i>Note 2</i>)	1,317,600	N/A	0.95
Party B18 (<i>Note 2</i>)	1,262,800	N/A	0.92
Total	137,256,000	100	100

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Notes:

1. As disclosed in section 2.2(c)(i) of the Board Letter, Party C1 and Party C3 are the wholly-owned subsidiaries of the Company.
2. Each Tianneng Investor is a limited partnership the general partner of which is Party C3 and, as such, the Tianneng Investors are considered to be controlled by the Company. Further, the Tianneng Investors are consolidated in the financial statements of the Company. Accordingly, the interest of the Tianneng Investors in Party A is the indirect interest of the Company in Party A.

2.4 Basis of the determination of the Total Subscription Price

The Total Subscription Price, which was calculated on the basis of the subscription price of RMB25.50 for each RMB1.00 in the New Registered Capital as disclosed in section 2.3 of the Board Letter, was arrived at after arm's length negotiations among the parties to the Capital Increase Agreement on normal commercial terms after principally taking into account the business prospects of Party A, which operates in an industry that is at a preliminary development stage in the PRC but has huge potentials with the support of favorable policies in the PRC given the anticipated growth in the demand of electric and new energy vehicles in the PRC, the rising demand for lithiumion battery and the requirements for environmental protection in relation to the recycling of waste lithiumion battery. Having considered the bright business prospects of Party A given its possession of the advanced technology and skills necessary for operating and growing in the business of recycling disposal, recycling and step utilization of waste lithiumion battery and its status as a subsidiary of the Company which allows it to benefit from the Company's operational experience in the business of recycling lead-acid battery, and considered further in conjunction with the industry that Party A is situated and the growth of Party A as demonstrated by its financial figures as disclosed in section 6.2 below, the parties to the Capital Increase Agreement agreed to value Party A at RMB2,500 million (i.e. approximately RMB25.50 for each RMB in the existing registered capital of Party A of RMB98,040,000) for the purpose of this round of Party A's fund raising. Further, the Company would like to supplement more information on the background for determining the Total Subscription Price. Prior to the availability of the audited financial information of Party A for 2022 which shows that the audited profit of Party A was RMB126,000,000, the Company had estimated and indicated to potential investors that the net profit of Party A for year 2022 would be in the range of approximately RMB100 million to RMB120 million (subject to the adjustment to the audited figures, if any) and, for reference purpose, the Company noted that the price-to-earnings ratios of the peers in the same industry referred to in the paragraph below are in the range of approximately 15 times to 20 times. The Company therefore initially valued Party A at not less than RMB2,000 million, being price-to-earnings ratio of approximately 20 times by reference to an estimated profit of RMB100 million for year 2022. In light of the encouraging response from potential investors to Party A's fund-raising coupled with the bright business prospects of Party A as disclosed above, the Company proceeded to negotiate with potential investors to raise a total of approximately RMB1,000 million for Party A instead of RMB500 million as originally planned and on a valuation higher than RMB2,000 million and, ultimately, the parties to the Capital Increase Agreement agreed to value Party A at RMB2,500 million through arm's length negotiation as disclosed above. Having considered that the subscription price payable by each Party B will be

LETTER FROM THE BOARD

calculated on the basis of the subscription price of RMB25.50 for each RMB1.00 in the New Registered Capital, which is the same as the valuation of Party A at RMB2,500 million as disclosed above, the principal factors for the determination of the valuation of Party A at RMB25.50 for each RMB in the existing registered capital of Party A of RMB98,040,000 as disclosed above and that, for reference purpose, it is noted that Party A's implied price-to-earnings ratio is within the range of those of the peers in the same industry referred to in the paragraph below, the Directors are of the view that the Total Subscription Price is fair and reasonable and on normal commercial terms.

While the Company has also considered the price-to-earnings ratio of the recent fund raisings of peers in the same industry, such information was principally for reference purpose and did not have any direct or material impact in the determination of the final Total Subscription Price. The Company selected the comparables mainly considering that, to the best of the Company's knowledge and belief, these companies are in the same industry as Party A, have their business operations and principal place of business in the PRC and have pre-IPO or early stage financing activities between 2019 and 2022 and, on the above basis, the Directors are of the view that the comparables are representative and it is fair and reasonable for the comparables to be selected as such. To the best of the Company's knowledge and belief, due to the limited number of peer companies currently meeting the above selection criteria, the price-to-earnings ratios that the Company has referred to are from five private peer companies, and according to the Company's internal research findings conducted by its marketing and procurement teams primarily sourced from non-public information, the price-to-earnings ratios of these five peer companies are in the range of approximately 15 times to 20 times; in comparison, the implied price-to-earnings ratio of Party A is 19.8 times (based on the pre-investment valuation of RMB2,500 million (instead of RMB2,000 million as initially valued) as divided by Party A's audited net profit of RMB126 million for year 2022), which is also within the range of the price-to-earnings ratio of its peers. In spite of the above Company's internal research findings primarily sourced from non-public information, the Company made reference to price-to-earnings ratios of the recent fund raisings of peers in the same industry principally because price-to-earnings ratio is generally widely used in assessing the value of companies, and the price-to-earnings ratios that the Company had referred to were, as disclosed, in relation to (to the best of the Company's knowledge, information and belief) recent fund raisings of peers in the same industry and thus are worthy to make reference to.

2.5 Payment terms

Party A shall deliver a payment notice to Parties B on the date on which all Completion Conditions have been fulfilled or waived. Parties B shall pay the Total Subscription Price in cash to the designated account opened by Party A within 20 working days upon receipt of the payment notice.

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2.6 Completion Conditions and effectiveness

(a) *Completion Conditions*

Completion is subject to the fulfilment (or waiver given by Parties B) of the conditions summarised below:

- (i) All necessary internal approvals and approvals from the approving authorities (if applicable) of all parties have been obtained and have not been revoked, and the articles of association of Party A that have been amended in accordance with the terms and conditions of the Capital Increase Agreement have been approved by the shareholders of Party A.
- (ii) Party C1 has completed all necessary internal approval procedures, disclosure requirements (if any) and obtained shareholders' approval for the execution of the Capital Increase Agreement and the performance of the Put Option.
- (iii) The transaction documents have been executed, and the shareholders of Party A have approved: (A) the transaction documents and the proposed transactions thereunder; (B) Party A's execution and performance of transaction documents; and (C) the amendments to the articles of association of Party A.
- (iv) If any Party B or any Party C has entered into any agreement with any other party, and the performance of the Capital Increase Agreement and other transaction documents requires the consent of any third party according to such agreement, the relevant Party B or Party C has obtained such third party's consent (or waivers) in accordance with such agreement, and such consent is unconditional, comprehensive and with immediate effect.

LETTER FROM THE BOARD

- (v) Each Party C has waived its pre-emptive right to the increase in capital in writing.
- (vi) Party A's registered capital of RMB98,040,000 has been fully paid up.
- (vii) As at the date on which the Total Subscription Price is paid, no governmental agency has enacted any law, regulation or made any decision that would prohibit or materially delay: (A) the subscription or payment of the additional capital, (B) the change of shareholders of Party A, (C) the operation of Party A after the payment date of the Total Subscription Price, or (D) such prohibition, restriction or delay which could reasonably be expected to have a material adverse effect on Party A or the expected business interests of Parties B's investment in Party A.
- (viii) As at the date on which the Total Subscription Price is paid, the representations, covenants and warranties made by Party A and each Party C in the Capital Increase Agreement are true, correct, complete and not misleading in all material respects.
- (ix) Party A has provided Parties B with the information of the account to receive the Total Subscription Price in writing.
- (x) Parties B have received the balance sheets, profit statements and cash flow statements of Party A for the recent three years (2020 to 2022) sealed by Party A.
- (xi) Parties B have received a confirmation signed by Party A and Parties C confirming that the Completion Conditions have been fulfilled and there is no material adverse change to Party A.
- (xii) During the period from the execution of the Capital Increase Agreement to Completion, there is no material adverse impact on Party A's business operation, finance, management and legal situation.

Each Party B has the right to confirm that the Completion Conditions have been fulfilled or to waive one or more Completion Conditions, and each Party B has the right to proceed to completion of its own subscription of the New Registered Capital. Any breach of the Capital Increase Agreement by any of the Parties B shall not affect the completion of the transaction by any other Parties B in accordance with the laws and the Capital Increase Agreement.

As at the Latest Practicable Date, none of the Completion Conditions has been fulfilled or waived except for Completion Conditions set out in paragraphs (iii) to (vi) in this section.

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(b) Effectiveness

The Capital Increase Agreement shall come into effect on the date on which it is considered and approved at the general meeting of the Company.

2.7 Completion of the Capital Increase

Upon completion of the Capital Increase by each of the Parties B, the Company's indirect shareholding in Party A will decrease from 65% to approximately 49.27% (comprising (i) the existing registered capital owned by Party C1 and Party C3; and (ii) the new registered capital in Party A agreed to be subscribed to by the Tianneng Investors). Please refer to the Registered Capital Table for the shareholding structure of Party A upon Completion.

Given that the Company will continue to control Party A upon Completion after taking into account, among other things, (i) Party A does not have a board of directors and the executive director of Party A shall be appointed by Parties C and (ii) the shareholding structure of Party A upon Completion, Party A will continue to be an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into those of the Group. In addition, as demonstrated by the Registered Capital Table, it is expected that Party C2 will be a 25% shareholder of Party A upon Completion. Hence, Party A will remain a connected subsidiary of the Company for the reasons set out in the last paragraph of section 6.1 of the Board Letter.

3. FINANCIAL EFFECT OF THE CAPITAL INCREASE ON THE GROUP

As disclosed in section 2.7 of the Board Letter, Party A will remain an indirect non-wholly owned subsidiary of the Company upon Completion. As such, the results of operations and financial position of Party A will continue to be recorded in the Group's consolidated financial statements. As the decrease in the indirect interests of the Company in Party A will not cause a loss of its control over Party A, the Company will not record gain or loss from the Capital Increase under the Hong Kong Financial Reporting Standards.

4. INTENDED USE OF PROCEEDS

As at the Latest Practicable Date, the Company intended to use 60% of the Total Subscription Price (i.e. RMB600,000,000) for the construction of a base of Party A in Binhai* (濱海) of Jiangsu Province (the "**Binhai Base**"), 15% of the Total Subscription Price (i.e. RMB150,000,000) for the regional recycling bases and recycling channels for waste batteries and the remaining 25% (RMB250,000,000) as general working capital of Party A.

The Binhai Base will be a comprehensive disposal base, generating high-value metal salts through the wet disposal process with a planned production capacity of 103,000 tons. The construction of the Binhai Base will be divided into two phases. The first phase is a 60,000-ton NCM recycling and disposal line and a 3,000-ton lithium-ion iron phosphate pilot line, while the second phase is a 40,000-ton lithium-ion iron phosphate disposal line. The Company also intends to build regional recycling bases and recycling channels for waste batteries in key regions across China.

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5. SHAREHOLDERS AGREEMENT

The parties to the Capital Increase Agreement have also entered into the Shareholders Agreement which shall come into effect on the date on which the Capital Increase is considered and approved at the general meeting of the Company. A summary of the principal terms of the Shareholders Agreement and the relevant information is set out below.

5.1 Board of directors

Party A shall have no board of directors. The executive director shall be appointed by Parties C.

5.2 Put Option for Parties B to request Party A and/or Party C1 to repurchase Parties B's equity interests in Party A

Pursuant to the Shareholders Agreement, each Party B, without having to pay any premium, has been granted the rights to request Party A and/or Party C1 to repurchase the equity interests in Party A owned by it. The rights to request for repurchase as disclosed amount to a put option exercisable at the discretion of Parties B under the Shareholders Agreement. The principal terms of the Put Option are summarised below:

(a) *Circumstances under which the Put Option may be exercised*

A Party B may exercise the Put Option under any of the circumstances set out below:

- (i) Party A fails to achieve a Qualified Listing before 31 December 2026, or due to other causes, it is reasonably foreseeable that Party A cannot achieve a Qualified Listing within the aforesaid deadline;
- (ii) before 31 December 2026, Party A or Party C1 expressly declares that Party A has abandoned the Qualified Listing arrangement or work;
- (iii) Party A and/or Parties C materially breach the Shareholders Agreement, the Capital Increase Agreement or the new articles of association before the Qualified Listing; or
- (iv) there are other shareholders requesting Party A and/or Party C1 to repurchase their equity interests in Party A.

Parties B may exercise the Put Option by giving written notice to Party A and/or Party C1. Party A and/or Party C1 shall pay the repurchase price within three months from the date on which Parties B issued the exercise notice.

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(b) Repurchase Price

The repurchase price shall be the part of the Total Subscription Price paid by the relevant Party B, plus an annualized interest rate of 8% (simple interest) on such Total Subscription Price, calculated during the period Party B holds the equity interests (from the date of making the payment of the Total Subscription Price to the date of payment of the repurchase price), minus the cash dividends received by that Party B over the years.

The return rate of 8% was determined based on arm's length negotiations among the parties to the Capital Increase Agreement with reference to the customary practices of private equity in the PRC with regard to assessing the investment return of the industry that Party A is situated.

For illustrative purposes, the estimated maximum repurchase price was approximately RMB1,304 million calculated on the following principal assumptions and bases as disclosed in section 5.2(b) of the announcement of the Company dated 5 May 2023: (i) the earliest that Parties B will pay the Total Subscription Price and become the shareholders of Party A was 14 June 2023, being the day on which the EGM will be held; (ii) Parties B will exercise the Put Option in full by giving written notice to Party A and/or Party C1 on 31 December 2026; and (iii) the repurchase price will be paid to Parties B on 31 March 2027, being the last day of the three months' period after Parties B have given the exercise notice as disclosed in section 5.2(a) of the Board Letter. On the same bases and assumptions as disclosed in section 5.2(b) of the announcement of the Company dated 5 May 2023 except that the earliest that Parties B will pay the Total Subscription Price and become the shareholders of Party A will be 14 July 2023 instead of 14 June 2023, the estimated maximum repurchase price will be approximately RMB1,297 million.

5.3 Restrictions on transfer of equities in Party A

Before the occurrence of the Qualified Listing, each Party C shall not transfer any or all of its equity interests in Parties A, or pledge or encumber such equity interests without the written consent of Parties B, except for those transfers permitted under the Shareholders Agreement, such as transfer to its affiliates which would not cause a change of control in Party A, and transfer for the purpose of implementing employee incentive schemes.

Without Parties C's prior written consent, Parties B shall not transfer their equity interests in Party A to any competitor directly or indirectly engaging in the same business or business similar to the principal business of Party A, any entity controlling such competitor or any entity controlled by such competitor. Parties B shall ensure that when they transfer their equity interests in Party A to the prospective purchaser, the prospective purchaser shall comply with the requirements for an entity qualified for the listing of A-shares at the material time and ensure that the prospective purchaser undertakes all of its obligations under the Shareholders Agreement and other transaction documents.

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5.4 Anti-dilution

The parties agree that, from the date of Completion to the date of the Qualified Listing, if Party A undertakes any capital increase or issues convertible bonds or other security interests that may be converted into the registered capital of Party A, unless Parties B agree in writing, the unit subscription price of the new investors shall not be lower than the unit subscription price of Parties B. With the written consent of Parties B, the unit subscription price of the new investor may be lower than that of Parties B. In such case, Parties B shall have the right to request Parties C to compensate Parties B according to the “broad-based weighted average” approach that the unit subscription price of Parties B’s investment in Party A shall be adjusted such that after the capital contribution from the new investor, Parties B’s unit subscription price will be equal to Parties B’s weighted average price.

6. INFORMATION ON PARTY A

6.1 General information

Party A is a company established in the PRC with limited liability and principally engages in the business of recycling disposal, recycling and step utilization of waste lithiumion battery. Party A is one of the first batch of key enterprises in comprehensive utilization of solid waste resources in Zhejiang Province, the PRC and is a double-whitelist enterprise (recycling and echelon utilization) of the Ministry of Industry and Information Technology. Party A’s main suppliers are traders and middlemen and its main customers are leading lithium anode material enterprises in the industry.

As at the Latest Practicable Date, Party A was owned as to 51%, 35% and 14% by Party C1, Party C2 and Party C3, respectively.

By virtue of Dr. Zhang, a connected person of the Company at the issuer level, having the control of 10% or more of the voting power at the general meeting of Party A as disclosed in section 7.2 of the Board Letter, Party A is a connected subsidiary of the Company under the Listing Rules and therefore a connected person of the Company.

6.2 Financial information

Set out below is the audited consolidated financial information of Party A in relation to the three years ended 31 December 2020, 31 December 2021 and 31 December 2022, respectively, which were prepared in accordance with accounting principles generally accepted in the PRC:

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	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>
(Loss)/Profit before taxation	(2,314)	59,745	144,748
(Loss)/Profit after taxation	(2,314)	54,034	126,249
	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Total assets	214,301	313,815	692,893
Total liabilities	167,997	213,477	341,404
Net assets	46,304	100,338	351,489

7. INFORMATION ON THE OTHER PARTIES

7.1 The Group, Party C1 and Party C3

The Group principally engages in three major businesses, namely the research and development, production, sale and service of (i) high-tech eco-friendly batteries; (ii) new energy batteries; and (iii) renewable new materials. High-tech eco-friendly battery products are mainly used in electrical bicycles, electrical tricycles and mini electric vehicles, as well as for start-stop and energy storage. The Group mainly operates in the PRC.

Party C1 is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Party C1 principally engages in provision of investment management, enterprise management consulting and investment advisory services.

Party C3 is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Its scope of business includes, among other things, the provision of commercial management services.

7.2 Party C2

Party C2 is a company established in the PRC with limited liability whose principal activities are assets and equity investments, provision of enterprise management advisory services and related businesses. As at the Latest Practicable Date, Party C2's equity interest was owned as to 98% by Dr. Zhang and, as such, Party C2 was a connected person of the Company.

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7.3 Parties B

Each Party B is a limited partnership established in the PRC. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, all the partners of Party B1 to Party B15 (regardless of general partner or limited partners) and their respective ultimate beneficial owners are Independent Third Parties. Further information on Parties B is disclosed below:

Party B1

The general partner of Party B1 is Hangzhou Puhua Tianji Equity Investment Management Company Limited* (杭州普華天驥股權投資管理有限公司), which is wholly-owned by Zhejiang Puhua Tianqin Equity Investment Management Co., Ltd.* (浙江普華天勤股權投資管理有限公司) (“**Puhua Tianqin**”), which is ultimately owned as to approximately 69.3%, 20.5%, 7.5% and 2.7% by Shen Qinhua* (沈琴華), Hangzhou Yinxiong Investment Partnership (Limited Partnership)* (杭州銀熊投資合夥企業(有限合夥)) (“**Yinxiong Investment**”), Hangzhou Ruoshan Investment Partnership (Limited Partnership)* (杭州若山投資合夥企業(有限合夥)) (“**Ruoshan Investment**”) and Wu Yihui* (吳一暉). The general partner of Yinxiong Investment is Shen Qinhua* (沈琴華) and the equity interest of Yinxiong Investment is owned as to 75% and 25% by Shen Qinhua* (沈琴華) and Xu Yanpei* (許燕培), respectively. The general partner of Ruoshan Investment is Zhao Baozhong* (趙寶忠) and the equity interest of Ruoshan Investment is owned as to 20%, 20%, 15%, 15%, 10%, 10%, 5% and 5% by Shanghai Yesu Investment Administration Centre* (上海葉溯投資管理中心) (“**Shanghai Yesu**”), Yao Zihong* (姚芝紅), Chen Tao* (陳濤), Zhao Baozhong* (趙寶忠), Wang Miaoding* (王妙定), Ma Detang* (馬德堂), Shen Xingliang* (沈興良) and Feng Yingxia* (馮迎霞), respectively. Shanghai Yesu is wholly-owned by Ye Fendi* (葉芬弟).

Except that the equity interest of Party B1 is owned as to approximately 48.73% by Xinchang Xinneng Puhua Venture Capital Partnership (Limited Partnership)* (新昌新能普華創業投資合夥企業(有限合夥)), approximately 19.49% by Huzhou Fengyi Investment Partnership (Limited Partnership)* (湖州豐毅投資合夥企業(有限合夥)) and approximately 9.75% by Ningbo Yaoye Investment Co., Ltd.* (寧波姚葉投資有限公司), each other limited partner owns less than 5% of the equity interest of Party B1.

Party B1 is a special investment fund for the equity investment.

Party B2

The general partner of Party B2 is Hangzhou Puhua Zhiqin Venture Capital Partnership (Limited Partnership)* (杭州普華至勤創業投資合夥企業(有限合夥)), the general partner of which is Puhua Tianqin (note: please refer to the subsection on Party B1 above for the information on Puhua Tianqin).

Party B2 has a total of 14 limited partners.

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The principal investments of Party B2 are cutting-edge technology, medical health, new energy and other industries.

Party B3

The general partner of Party B3 is CICC Capital Management Company Limited* (中金資本運營有限公司) (“**CICC Capital**”), which is wholly-owned by China International Capital Corporation Limited* (中國國際金融股份有限公司) (“**CICC**”, which is listed on the Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995), respectively).

Party B3 has a total of 15 limited partners.

The principal investments of Party B3 are high-quality projects in the fields of integrated circuits, information technology, artificial intelligence, new energy and new materials.

Party B4

The general partner of Party B4 is CICC Private Equity Investment Management Company Limited* (中金私募股權投資管理有限公司), which is wholly-owned by CICC (note: please refer to the subsection on Party B3 above for the information on CICC).

The equity interest of Party B4 is owned as to approximately 69.7%, 18.9%, 10%, 0.4% and 0.3% by Anhui Traffic Control Capital Investment Management Co., Ltd.* (安徽交控資本投資管理有限公司), CICC Pucheng Investment Co., Ltd.* (中金浦成投資有限公司) (“**CICC Pucheng**”), Anhui Anlian Expressway Co., Ltd.* (安徽安聯高速公路有限公司), Anhui Pingzhang Venture Capital Partnership (Limited Partnership)* (安徽平章創業投資合夥企業 (有限合夥)) and Anhui Traffic Control Capital Fund Management Co., Ltd.* (安徽交控資本基金管理有限公司), respectively.

The principal investments of Party B4 are strategic emerging industries such as intelligent transportation, new generation information technology, new energy and high-end manufacturing.

Party B5

The general partner of Party B5 is CICC (note: please refer to the subsection on Party B3 above for the information on CICC).

The equity interest of Party B5 is owned as to approximately 84.85%, 10%, 3.85%, 0.15% and 0.15% by each of Hubei Jiaotou Capital Investment Co., Ltd.* (湖北交投資本投資有限公司), Yichang Industrial Investment Holding Group Co., Ltd.* (宜昌產投控股集團有限公司), CICC Pucheng, Kuang Pingjiang* (曠平江) and Hubei Jiaotou Private Equity Fund Management Co., Ltd.* (湖北交投私募股權基金管理有限公司), respectively.

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The principal investments of Party B5 are high-quality projects in emerging industries such as transportation technology, modern logistics, carbon neutrality and high-end manufacturing.

Party B6

The general partner of Party B6 is CICC (note: please refer to the subsection on Party B3 above for the information on CICC).

The equity interest of Party B6 is owned as to approximately 99.9% by Zhuhai Chong'a Technology Development Partnership (Limited Partnership)* (珠海崇阿科技發展合夥企業(有限合夥)).

The principal investments of Party B6 are new energy, carbon neutrality and other fields.

Party B7

The general partner of Party B7 is Shenzhen Guangyuan Investment Management Partnership (Limited Partnership)* (深圳市光遠投資管理合夥企業(有限合夥)) (“**Shenzhen Guangyuan**”), the general partner of which is Shenzhen Guangyuan Consulting Management Co., Ltd.* (深圳市光遠諮詢管理有限公司) (“**Guangyuan Consulting**”), which is in turn owned as to 51% and 49% by Xu Lu* (許璐) and Gao Wei* (高薇), respectively.

Party B7 has a total of 7 limited partners.

The principal investments of Party B7 are manufacturing, new energy and information industries.

Party B8

The general partner of Party B8 is Shenzhen Guangyuan (note: please refer to the subsection on Party B7 above for the information on Shenzhen Guangyuan).

Party B8 has a total of 9 limited partners.

The principal investments of Party B8 are new energy direction, energy storage direction and energy digitalisation direction.

Party B9

The general partner of Party B9 is Shenzhen Guangyuan (note: please refer to the subsection on Party B7 above for the information on Shenzhen Guangyuan).

The limited partners of Party B9 are Yang Yang and Wang Yue, who own approximately 60.00% and 39.99% of the equity interest of Party B9, respectively.

The principal investments of Party B9 are manufacturing and other directions.

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Party B10

The general partner of Party B10 is Shenzhen Yanghong Assets Management Company Limited* (深圳陽宏資產管理有限公司), which is owned as to 70% and 30% by Zong Baihan* (宗柏含) and Huang Jin* (黃津), respectively.

The limited partners of Party B10 are Xie Qiyun* (謝奇芸) and Wang Siyu* (王思宇), who own approximately 50% and 49% of the equity interest of Party B10, respectively.

The principal investments of Party B10 are parts of the industrial chain such as new energy, new materials, technology and environmental protection, and high-end equipment manufacturing.

Party B11

The general partner of Party B11 is Zhejiang Fuzhe Equity Investment Fund Management Company Limited* (浙江富浙股權投資基金管理有限公司) (“**Zhejiang Fuzhe**”). Zhejiang Fuzhe is directly owned as to 40% by Zhejiang Fuzhe Capital Management Co., Ltd.* (浙江富浙資本管理有限公司) (“**Fuzhe Capital**”, which is indirectly wholly-owned by Zhejiang Province People’s Government State-owned Assets Supervision and Administration Commission* (浙江省人民政府國有資產監督管理委員會)) and indirectly owned as to 40% by Guoxin Guokong (Hangzhou) Investment Management Co., Ltd.* (國新國控(杭州)投資管理有限公司) (indirectly owned as to 49% by the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會), being the single largest shareholder), respectively.

The equity interest of Party B11 is owned as to approximately 96.52% and 3.47% by each of Fuzhe Capital and Hangzhou Fuzhe Daozheng Equity Investment Partnership (Limited Partnership)* (杭州富浙道正股權投資合夥企業(有限合夥)), respectively.

The principal investments of Party B11 are strategic and forward-looking industrial layout such as high-end manufacturing, digital economy, new energy, life and health.

Party B12

The general partner of Party B12 is Shanghai Chengding Wealth Creation Investment Management Company Limited* (上海誠鼎創富投資管理有限公司), which is owned as to 50% by each of Shanghai Hengzhi Jinkai Investment Partnership (Limited Partnership)* (上海恒智謹凱投資合夥企業(有限合夥)) (“**Hengzhi Jinkai**”) and Shanghai Chengtou Holding Co., Ltd.* (上海城投控股股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600649)), respectively. The general partner of Hengzhi Jinkai is Shanghai Wotu Investment Management Co., Ltd.* (上海沃土投資管理有限公司), which is owned as to approximately 72.31% by Chen Zhihai* (陳智海).

Party B12 has a total of 6 limited partners.

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The principal investments of Party B12 are related sub-sectors of the industrial chain of rapidly growing smart city and green city.

Party B13

The general partner of Party B13 is Nanjing Chuangding Jincheng Business Management and Consulting Partnership (Limited Partnership)* (南京創鼎錦誠企業管理諮詢合夥企業(有限合夥)) (“**Chuangding Jincheng**”), the general partner of which is Guochuang Zhongding (Shanghai) Equity Investment Management Co., Ltd.* (國創中鼎(上海)股權投資管理有限公司) (“**Guochuang Zhongding**”). Each of Hangzhou Zhongding Pujin Equity Investment Management Co., Ltd.* (杭州中鼎浦金股權投資管理有限公司) (owned as to 95% by Shi Haining* (施海寧)) and Hangzhou Puxin Investment Management Partnership (Limited Partnership)* (杭州璞鑫投資管理合夥企業(有限合夥)) (the general partner of which is Shi Haining* (施海寧)) owns 40% of the equity interest in Guochuang Zhongding, respectively.

The equity interest of Party B13 is owned as to approximately 12.31%, 12.31%, 36.92%, 12.31% and 24.62% by each of Wuxi Chuangding Jinyan Equity Investment Partnership (Limited Partnership)* (無錫創鼎錦延股權投資合夥企業(有限合夥)), Nanjing Industrial Development Fund Co., Ltd.* (南京市產業發展基金有限公司), Zhuhai Hancui Management Consulting Partnership (Limited Partnership)* (珠海漢萃管理諮詢合夥企業(有限合夥)), Wuxi Fengrun Investment Co., Ltd.* (無錫豐潤投資有限公司) and Nanjing Yangtze River Innovation Investment Fund (Limited Partnership)* (南京揚子江創新投資基金(有限合夥)), respectively.

The principal investments of Party B13 are high-end manufacturing, new energy, new materials, new generation information technology and other fields.

Party B14

The general partner of Party B14 is Hubei Agricultural, Financial and High Technology Investment Management Company Limited* (湖北農金高投投資管理有限公司), which is owned as to 60% and 40% by Hubei Gaotou Technology Financial Investment Management Co., Ltd.* (湖北高投科技金融投資管理有限公司) (“**Hubei Gaotou**”) and ABC Financial Assets Investment Co., Ltd.* (農銀金融資產投資有限公司) (“**ABC Finance**”), respectively. Hubei Gaotou is owned as to 60%, 20% and 20% by Beijing Ruizhihe Investment Management Co., Ltd.* (北京睿致合投資管理有限公司) (“**Beijing Ruizhi**”), Hubei High-tech Industry Investment Group Co., Ltd.* (湖北省高新產業投資集團有限公司) and Hubei Zhengyu Equity Investment Co., Ltd.* (湖北正昱股權投資有限公司), respectively. Beijing Ruizhi is owned as to 30% by Liu Yang* (劉楊), and the remaining 70% is owned by six other shareholders between 5.43% to 17.14%. ABC Finance is wholly-owned by Agricultural Bank of China Limited (stock code on the Stock Exchange: 1288).

The equity interest of Party B14 is owned as to approximately 49.00%, 20.00% and 13.33% by each of ABC Finance, Enshi Longfeng Investment Development Co., Ltd.* (恩施龍鳳投資開發有限公司) and Changjiang Venture Capital Fund Co., Ltd.* (長江創業投資基金有限公司), respectively.

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The principal investments of Party B14 are high-end equipment, intelligent manufacturing, new energy and other fields.

Party B15

The general partner of Party B15 is CNBM (Anhui) New Materials Fund Management Company Limited* (中建材(安徽)新材料基金管理有限公司), which is owned as to approximately 37.86% by CNBM Private Equity Fund Management (Beijing) Co., Ltd.* (中建材私募基金管理(北京)有限公司) (“**CNBM Private Equity Fund**”) (each of the other shareholders owns less than 15% of the equity interest). CNBM Private Equity Fund is owned as to 30% and 70% by China National Building Material Group Co., Ltd.* (中國建材集團有限公司) (“**CNBM**”), which is wholly-owned by the State Council, and CNBM United Investment Co., Ltd.* (中建材聯合投資有限公司), which is wholly-owned by CNBM, respectively.

Party B15 has a total of 15 limited partners.

The principal investments of Party B15 are new material industry.

Party B16 to Party B18

The general partner of each of Party B16, Party B17 and Party B18 is Party C3. Party C3 is a wholly-owned subsidiary of the Company. Please refer to section 7.1 of the Board Letter for the information on Party C3. All of the limited partners of Party 16, Party 17 and Party 18 are employees of the Company and its subsidiaries.

Except for Zhao Haimin* (趙海敏) and Yuan Jiang* (袁將) who own approximately 8.77% and 5.85% of the equity interest of Party B16, respectively, all the other limited partners own less than 5% of the equity interest of Party B16.

Except for Wang Tuanwei* (王團維) who owns approximately 14.88% of the equity interest of Party B17, and Gao Yin* (高銀), Sha Mei* (沙梅) and Ding Shaohua* (丁少華), each of whom owns approximately 5.95% of the equity interest of Party B17, all the other limited partners own less than 5% of the equity interest of Party B17.

Except for Li Ming* (李明) who owns approximately 12.42% of the equity interest of Party B18, and Yang Zhiqing* (楊志清), Zhu Jianbin* (朱建彬) and Chang Qing* (常清), each of whom owns approximately 6.21% of the equity interest of Party B18, all the other limited partners own less than 5% of the equity interest of Party B18.

All the limited partners of Party B16, Party B17 and Party B18 are Independent Third Parties.

Party B16, Party B17 and Party B18 are special investment funds which invest in Party A.

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8. REASONS AND BENEFITS OF THE SUBJECT TRANSACTIONS

The Board (including the Independent Directors after taking into account the IFA Letter) believes that the Subject Transactions will provide additional financial resources to supplement Party A's general working capital, broaden the capital base, enhance its financial conditions for its business development (including the business plan disclosed in section 4 of the Board Letter) and pursue its growth strategies, which is beneficial to the Company as a shareholder of Party A and ultimately to the Group in the long run and is in line with the Group's long-term corporate investment strategy.

The Board (including the Independent Directors after taking into account the IFA Letter) also believes that the terms of the Capital Increase Agreement and the Shareholders Agreement are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board has approved the entering into of the Capital Increase Agreement and the Shareholders Agreement. By virtue of Dr. Zhang's relationship with Party C2 as disclosed in section 7.2 of the Board Letter, he has material interest in the Subject Transactions and therefore has abstained from voting on the relevant resolutions of the Board and has not been counted towards the quorum of the relevant Board meeting. On the other hand, Mr. ZHANG Aogen, an executive Director, is a brother of Dr. Zhang and therefore Mr. ZHANG Aogen and Dr. Zhang is an associate of each other. Mr. ZHANG Aogen does not have material interest in the Subject Transactions. However, by virtue of Mr. ZHANG Aogen being an associate of Dr. Zhang as disclosed, he was required to abstain, and has abstained, from voting on the relevant resolutions of the Board approving the Subject Transactions and has not been counted towards the quorum of the relevant Board meeting since the constitution of the Company provides that a Director shall not vote on any Board resolution approving any contract or arrangement in which any of his associates is materially interested. Save as disclosed above, none of the Directors has any material interest in the Subject Transactions, or was required to abstain from voting on the relevant resolutions of the Board.

9. LISTING RULES IMPLICATIONS

9.1 Deemed disposal

Upon Completion, the shareholding interests of the Company in Party A will decrease from 65% to approximately 49.27% (being the aggregate shareholding of the Tianneng Investors, Party C1 and Party C3). As such, the Capital Increase constitutes a deemed disposal under rule 14.29 of the Listing Rules. As the highest applicable percentage ratio in respect of the Capital Increase is more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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9.2 Put Option

As the exercise of the Put Option is not at the discretion of the Company, it will be classified as if the Put Option has been exercised under the Listing Rules. As the highest applicable percentage ratio in respect of the grant of the Put Option is more than 5% but less than 25% on the basis of the estimated maximum repurchase price disclosed in section 5.2(b) of the Board Letter, the grant of the Put Option constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

9.3 Discloseable and connected transaction

As disclosed in section 6.1 and section 7.2 of the Board Letter respectively, each of Party A and Party C2 is a connected person of the Company. Since the Capital Increase and the grant of the Put Option are part and parcel of one single arrangement and each of Party A and Party C2 is a party to this arrangement, the Capital Increase and the grant of the Put Option together constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest percentage ratio (other than the profits ratio) in respect of the Subject Transactions is more than 5% but less than 25%, the Subject Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) the Capital Increase and the grant of the Put Option are part and parcel of the same transaction which has been negotiated and agreed by the Group, the Outside Investors and Party C2 simultaneously; and (ii) the approval of each of the Capital Increase and the grant of the Put Option is interdependent on, and cannot proceed without, the approval of the other, the Company will seek Independent Shareholders' approval for each of the Capital Increase and the grant of the Put Option under the same single resolution at the EGM. As a result, Independent Shareholders who exercise their rights to vote will be either voting in favour of the one single resolution which includes both of the Capital Increase and the grant of the Put Option, or voting against it.

9.4 Shareholders required to abstain from voting at the EGM

As at the Latest Practicable Date, Prime Leader Global Limited, which was wholly-owned by Dr. Zhang, held approximately 36.4% of the shares of the Company in issue. In addition, by virtue of the SFO, Dr. Zhang is deemed to be interested in the shares of the Company (being approximately 0.04% of the shares of the Company in issue) owned by his spouse. As Dr. Zhang is a controlling shareholder of Party C2, Dr. Zhang and his associates (namely, Prime Leader Global Limited and his spouse) will abstain from voting on the resolution in respect of the Subject Transactions at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the resolution(s) in respect of the Subject Transactions at the EGM.

LETTER FROM THE BOARD

9.5 Advice of the IBC

The IBC, comprising only all the Independent Directors, has been formed to advise the Independent Shareholders on the matters referred to in Rule 14A.40 of the Listing Rules, including but not limited to whether the terms of the Subject Transactions are fair and reasonable and how to vote on the resolution(s) in relation to the Subject Transactions. Please refer to the IBC Letter for the opinion of the IBC and its recommendations to the Independent Shareholders as to how to vote at the EGM.

10. EGM

A notice convening the EGM to be held at Conference Room, 3/F., Tianneng Group Building, No. 18 Baoqiao Road, Huaxi Industrial Function Zone, Changxing County, Zhejiang, China, on Friday, 14 July 2023 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

The register of members of the Company will be closed from Tuesday, 11 July 2023 to Friday, 14 July 2023, both days inclusive, during which period no transfer of Shares can be registered and the record date of the EGM will be Friday, 14 July 2023. In order to qualify for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 10 July 2023.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

The ordinary resolution to approve the Subject Transactions at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company after the EGM.

11. RECOMMENDATION

In addition to the information contained in the sections immediately preceding this section headed “11. RECOMMENDATION”, your attention is drawn to the IBC Letter set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Subject Transactions.

LETTER FROM THE BOARD

Having considered the terms of the Subject Transactions, the Directors (including the Independent Directors after taking into account the IFA Advice and the principal factors and reasons taken into consideration by the IFA) are of the opinion that the terms of the Subject Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors, therefore, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subject Transactions.

12. ADDITIONAL INFORMATION

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

By order of the Board
Tianneng Power International Limited
ZHANG Tianren
Chairman



TIANNENG POWER INTERNATIONAL LIMITED

天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

28 June 2023

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:
DEEMED DISPOSAL OF INTERESTS IN A CONNECTED SUBSIDIARY
AND GRANT OF PUT OPTION**

We refer to the circular of the Company to the Shareholders of the date of this letter (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter have the same meanings as defined in the Circular.

For the purposes of the Listing Rules, we have been appointed as the IBC to consider the Subject Transactions and to advise the Independent Shareholders as to the fairness and reasonableness of the Subject Transactions. We are required to recommend whether or not the Independent Shareholders should vote for the resolution(s) to be proposed at the EGM to approve the Subject Transactions.

The IFA, namely Altus Capital Limited, has been appointed with the IBC’s approval to advise the IBC and the Independent Shareholders in relation to the Subject Transactions.

We wish to draw your attention to the IFA Letter which contains its advice to us in relation to the Subject Transactions. We also draw your attention to the Board Letter.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subject Transactions, the IFA Advice and the principal factors and reasons taken into consideration by the IFA, we are of the opinion that the terms of the Subject Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Subject Transactions.

Yours faithfully,

IBC of

Tianneng Power International Limited

HUANG Dongliang

ZHANG Yong

XIAO Gang

Independent non-executive Directors

LETTER FROM THE IFA

The following is the text of a letter of advice from Altus Capital Limited to the IBC and the Independent Shareholders in respect of the transactions contemplated under the Capital Increase Agreement and the Shareholders Agreement (including the grant of Put Option), which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

28 June 2023

To the IBC and the Independent Shareholders

Tianneng Power International Limited
Suite 3202, 32 Floor
Central Plaza
18 Harbour Road Wanchai
Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION: DEEMED DISPOSAL OF INTERESTS IN A CONNECTED SUBSIDIARY AND GRANT OF PUT OPTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the IBC and the Independent Shareholders in respect of the transactions contemplated under the Capital Increase Agreement and the Shareholders Agreement (including the grant of Put Option). Details of the Subject Transactions are set out in the “Letter from the Board” contained in the circular of the Company dated 28 June 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 5 May 2023 (after trading hours), Party A (a connected subsidiary of the Company), Parties B (comprising (i) 15 Outside Investors who are Independent Third Parties; and (ii) three investors who are controlled by the Company) and Parties C (comprising (i) two indirect wholly-owned subsidiaries of the Company who are the existing shareholders of Party A; and (ii) a connected person of the Company who is an existing shareholder of Party A) entered into the Capital Increase Agreement pursuant to which, Parties B agreed to pay the Total Subscription Price of RMB1,000,000,000 to subscribe for the New Registered Capital (RMB39,216,000, representing approximately 28.57% of the registered capital of Party A as

LETTER FROM THE IFA

enlarged by the Capital Increase). The Total Subscription Price will be contributed to the capital of Party A as follows: (i) RMB39,216,000 to Party A's registered capital; and (ii) RMB960,784,000 to Party A's reserved capital.

In connection with the Capital Increase Agreement, Party A, Parties B and Parties C entered into the Shareholders Agreement on 5 May 2023, which sets out the rights and obligations of the shareholders of Party A, the governance structure of Party A and the Put Option.

LISTING RULES IMPLICATIONS

Upon Completion, the shareholding interests of the Company in Party A will decrease from 65% to approximately 49.27%. As such, the Capital Increase constitutes a deemed disposal under rule 14.29 of the Listing Rules. As the highest applicable percentage ratio in respect of the Capital Increase is more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, as the exercise of the Put Option is not at the discretion of the Company, it will be classified as if the Put Option has been exercised under the Listing Rules. As the highest applicable percentage ratio in respect of the grant of the Put Option is more than 5% but less than 25% on the basis of the estimated maximum repurchase price as disclosed in section 5.2(b) of the announcement of the Company dated 5 May 2023, the grant of the Put Option constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Each of Party A and Party C2 is a connected person of the Company. Since the Capital Increase and the grant of the Put Option are part and parcel of one single arrangement and each of Party A and Party C2 is a party to this arrangement, the Capital Increase and the grant of the Put Option together constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest percentage ratio (other than the profits ratio) in respect of the Subject Transactions is more than 5% but less than 25%, the Subject Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE IBC

The IBC comprising all the independent non-executive Directors, namely Mr. HUANG Dongliang, Mr. ZHANG Yong and Mr. XIAO Gang, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Subject Transactions are fair and reasonable; (ii) whether the Subject Transactions are in the normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Subject Transactions are in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM in relation to the Subject Transactions, taking into account the recommendation from the IFA.

LETTER FROM THE IFA

THE IFA

As the IFA, our role is to give an independent opinion to the IBC and the Independent Shareholders as to (i) whether the terms of the Subject Transactions are fair and reasonable; (ii) whether the Subject Transactions are in the normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Subject Transactions are in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM in relation to the Subject Transactions.

We have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Subject Transactions is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Capital Increase Agreement; (ii) the Shareholders Agreement; (iii) the audited consolidated financial information of Party A for the three years ended 31 December 2022; and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all material respects at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading in any material respects, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading in any material respects.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM THE IFA

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group, Parties B and Parties C

1.1 The Group, Party C1 and Party C3

The Group is principally engaged in three major businesses, namely the research and development, production, sale and service of (i) high-tech eco-friendly batteries; (ii) new energy batteries; and (iii) renewable new materials. High-tech eco-friendly battery products are mainly used in electrical bicycles, electrical tricycles and mini electric vehicles, as well as for start-stop and energy storage. The Group mainly operates in the PRC.

Party C1 is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Party C1 is principally engaged in the provision of investment management, enterprise management consulting and investment advisory services. As at the Latest Practicable Date, Party A was owned as to approximately 51% by Party C1.

Party C3 is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Its scope of business includes, among other things, the provision of commercial management services. As at the Latest Practicable Date, Party A was owned as to approximately 14% by Party C3.

1.2 Party C2

Party C2's equity interest is owned as to 98% by Dr. Zhang and, as such, Party C2 is a connected person of the Company.

Party C2 is a company established in the PRC with limited liability whose principal activities are assets and equity investments, provision of enterprise management advisory services and related businesses. As at the Latest Practicable Date, Party A was owned as to approximately 35% by Party C2.

1.3 Parties B

Parties B comprise all the investors under the Capital Increase Agreement, namely:

- (i) **15 Outside Investors**, being Party B1 to Party B15. Each Outside Investor is a limited partnership established in the PRC. According to the "Letter from the Board" of the Circular, all the partners of the Outside Investors (regardless of general partner or limited partners) and their respective ultimate beneficial owners are Independent Third Parties to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries. For information on the partners of the Outside Investors, please refer to the paragraph headed "7.3 Parties B" in the "Letter from the Board" of the Circular; and

LETTER FROM THE IFA

- (ii) **three Tianneng Investors**, being Party B16 to Party B18. Each Tianneng Investor is a limited partnership the general partner of which is Party C3 and, as such, the Tianneng Investors are considered to be controlled by the Company.

2. Background information of Party A

2.1 Principal business activities

Party A is a company established in the PRC with limited liability and is principally engaged in the business of recycling disposal, recycling and step utilisation of waste lithiumion battery. According to the “Letter from the Board” of the Circular, Party A is one of the first batch of key enterprises in comprehensive utilisation of solid waste resources in Zhejiang Province, the PRC and is a double-whitelist enterprise (recycling and echelon utilisation) of the Ministry of Industry and Information Technology.

As disclosed in the paragraph headed “1. Background information of the Group, Parties B and Parties C” above, Party A was owned as to 51%, 35% and 14% by Party C1, Party C2 and Party C3 respectively as at the Latest Practicable Date.

2.2 Financial information

Set out below is a table summarising certain key financial information of Party A for the three years ended 31 December 2022 which were prepared in accordance with accounting principles generally accepted in the PRC.

	For the year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
(Loss)/Profit before taxation	(2,314)	59,745	144,748
(Loss)/Profit after taxation	(2,314)	54,034	126,249

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Total assets	214,301	313,815	692,893
Total liabilities	167,997	213,477	341,404
Net assets	46,304	100,338	351,489

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As set out above, the financial performance of Party A had improved from a loss position in 2020 to recording profit after taxation of approximately RMB54.0 million in 2021, which further increased significantly by approximately 133.6% to approximately RMB126.2 million in 2022. As advised by the Management, such significant increase was mainly attributable to the rapid development of the new energy sector and the mass usage of new energy batteries in the PRC, which in turn, led to an increasing demand for the corresponding recycle and disposal of waste lithiumion battery.

Party A's total asset size increased from approximately RMB214.3 million as at 31 December 2020 to approximately RMB313.8 million as at 31 December 2021, and further increased to approximately RMB692.9 million as at 31 December 2022; while net assets also improved from approximately RMB46.3 million as at 31 December 2020 to approximately RMB100.3 million as at 31 December 2021, and further increased to approximately RMB351.5 million as at 31 December 2022. Such improvement in the overall financial structure of Party A was mainly due to the capital increase conducted in May 2022 (details of which please refer to the Company's announcement dated 27 May 2022), as well as the business growth and profitability recorded.

3. The Capital Increase

On 5 May 2023 (after trading hours), Party A, Parties B and Parties C entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, Parties B agreed to pay the Total Subscription Price of RMB1,000,000,000 to subscribe for the New Registered Capital (RMB39,216,000, representing approximately 28.57% of the registered capital of Party A as enlarged by the Capital Increase). The Total Subscription Price will be contributed to the capital of Party A as follows: (i) RMB39,216,000 will be contributed to the registered capital; and (ii) RMB960,784,000 will be contributed to the reserved capital.

Upon Completion, the registered capital of Party A will increase from RMB98,040,000 to RMB137,256,000. The subscription price payable by each Party B will be calculated on the basis of the subscription price of RMB25.50 for each RMB1.00 in the New Registered Capital.

For detailed terms of the Capital Increase Agreement, please refer to the paragraph headed "2. The Capital Increase Agreement" in the "Letter from the Board" of the Circular.

When considering the fairness and reasonableness of the Capital Increase, we have taken into account the following factors.

3.1. *The Total Subscription Price*

Pursuant to the Capital Increase Agreement, Parties B will pay the Total Subscription Price of RMB1,000,000,000 to subscribe for approximately 28.57% of the registered capital of Party A as enlarged by the Capital Increase, indicating an implied valuation of Party A of approximately RMB2.5 billion (before this round of Party A's fund raising) (the "Pre-

LETTER FROM THE IFA

money Valuation”) or RMB3.5 billion (after this round of Party A’s fund raising) (the “**Post-money Valuation**”), which translates to an implied price-to-earnings ratio of approximately 19.8 times or 27.8 times respectively.

We understand that such valuation is arrived at after arm’s length negotiations among the parties to the Capital Increase Agreement on normal commercial terms having principally taken into account the business prospects of Party A, and to the extent for reference purpose only (as further elaborated below), the price-to-earnings ratio of the recent fund raisings of peers in the same industry.

We understand from the Management that such negotiation was mainly driven by the Group (as the largest existing shareholder of Party A) with the Outside Investors. In this regard, we noted from disclosures in the Circular as well as our independent research that the general partners of the 15 Outside Investors include (i) notable companies in the investment fields, such as CICC Private Equity Investment Management Company Limited* (中金私募股權投資管理有限公司); (ii) entities under major financial institutions such as Agricultural Bank of China Limited; and (iii) state-owned industrial enterprises such as CNBM. Parties B consisted of many funds specialising in cutting-edge technology, new energy and strategic emerging industries such as that which Party A is engaged in.

Each of the Outside Investors has teams of leading industrial experts and investment professionals who provided their respective input in arriving at the eventual valuation of Party A and terms of the Capital Increase Agreement that were mutually agreed by all parties, reflecting the arm’s length and commercial nature of the negotiation among the parties. We also noted that each Party B, regardless of entities controlled by the Group (i.e. Party B16 to Party B18) or Independent Third Parties (i.e. Party B1 to Party B15), is subject to the same subscription price for the Capital Increase.

In addition, we noted that the Management has made reference to the valuations of certain Party A’s general industry peers during their recent fund raising rounds, although their businesses and hence their outlook and prospects may not be exactly the same as Party A. In this regard, we have obtained the relevant information and noted that the industry peers are all private companies and the valuation references are on pre-IPO and/or earlier rounds of fund raising. They are non-public information compiled by the Company’s internal research conducted by its marketing and procurement teams solely for reference and checking purposes. To the extent possible, we have conducted desktop searches to cross-check the aforesaid information obtained from the Company and did not notice material inconsistencies compared to our independent findings. From the information compiled, the price-to-earnings ratios of the peers above are in the range of approximately 15 times and 20 times (for further details, please refer to the paragraph headed “2.4 Basis of the determination of the Total Subscription Price” in the “Letter from the Board” of the Circular); while we noted that Party A’s implied price-to-earnings ratio (based on Pre-money Valuation) is within and at the higher end of the range of those of the peers.

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Further, we noted that there is a company listed on the Shenzhen Stock Exchange, namely GEM Co., Ltd. (stock code: 002340.SZ), which principal businesses include the recycling of waste batteries. Its scale of operation (for example, its total assets and net assets as at 31 December 2022 amounted to approximately RMB44.1 billion and RMB20.9 billion respectively, compared to Party A's total assets and net assets as at 31 December 2022 of approximately RMB692.9 million and RMB351.5 million respectively) appears larger as compared to Party A and we are also cognizant of the fact that GEM Co., Ltd.'s listing status may have commanded a listing premium to its valuation. As a reference only, we noted that GEM Co., Ltd. was trading at a price-to-earnings ratio of approximately 27.1 times as at the Latest Practicable Date, which is comparable to that of Party A (based on Post-money Valuation).

Considering (i) the Total Subscription Price is arrived at after arm's length negotiation principally between the Group and the 15 Outside Investors, which are Independent Third Parties; (ii) each Party B is subject to the same subscription price; and (iii) solely for reference and checking purposes, Party A's implied price-to-earnings ratio is within the range of the unlisted general industry peers' recent fund raising rounds and comparable to the prevailing valuation of the listed company mentioned above, we are of the view that the Total Subscription Price is on normal commercial terms and is fair and reasonable to the Independent Shareholders.

3.2. *Payment terms*

Pursuant to the Capital Increase Agreement, Parties B shall pay the Total Subscription Price in cash to the designated account opened by Party A within 20 working days upon receipt of the payment notice, which will be issued after all Completion Conditions have been fulfilled or waived.

Considering the Total Subscription Price shall be paid after all Completion Conditions have been fulfilled or waived, we are of the view that the payment terms are fair and reasonable and on normal commercial terms.

3.3. *Completion Conditions*

The Capital Increase Agreement is subject to a number of Completion Conditions as detailed in the paragraph headed "2.6 Completion Conditions and effectiveness" in the "Letter from the Board" of the Circular and will only become effective on the date on which the Capital Increase is considered and approved at the EGM of the Company.

Considering the Completion Conditions have taken into account, among other things, the necessary regulatory approval in relation to the Capital Increase, we are of the view that they are fair and reasonable and on normal commercial terms.

LETTER FROM THE IFA

3.4. *Shareholding effects to the Group in Party A*

The existing shareholders of Party A are (i) the Group which has aggregate shareholding of 65% (through Party C1 and C3); and (ii) Party C2 (who is a connected person of the Group). Upon Completion and before taking into account the subscription by Party B16, Party B17 and Party B18 (all three of whom are controlled by the Company); the Group's indirect shareholding in Party A will decrease from 65% to approximately 46.43%. Meanwhile, Party C2's shareholding in Party A will decrease from 35% to 25%.

In this regard, we note that both the Group and Party C2 will subject to the same dilution impact in proportion to their respective existing shareholdings in Party A as a result of the Capital Increase. This is fair and reasonable from the perspective of Independent Shareholders. The subscription by Party B16, Party B17 and Party B18 under the Capital Increase Agreement will result in the Group increasing slightly its shareholding in Party A to approximately 49.27%, affirming its existing control.

3.5. *Financial effects of the Capital Increase to the Group*

As a result of the Capital Increase, the Company's indirect shareholding in Party A will be decreased from 65% to approximately 49.27%. Notwithstanding this, as discussed in the paragraph headed "2.7 Completion of the Capital Increase" in the "Letter from the Board" of the Circular, having considered that (i) Party A does not have a board of directors and the executive director of Party A shall be appointed by Parties C; and (ii) the shareholding structure of Party A upon Completion, the Company will continue to control Party A upon Completion and its financial results will continue to be consolidated into those of the Group.

As the decrease in the indirect interests of the Company in Party A will not cause a loss of its control over Party A, the Company will not record gain or loss from the Capital Increase under the Hong Kong Financial Reporting Standards.

Overall, having taken into account the factors above, we considered that the Capital Increase is fair and reasonable and on normal commercial terms.

4. Shareholders Agreement

On 5 May 2023, the parties to the Capital Increase Agreement have also entered into the Shareholders Agreement which shall come into effect on the date on which the Capital Increase is considered and approved at the general meeting of the Company. For detailed terms of the Shareholders Agreement, please refer to the paragraph headed "5. Shareholders Agreement" in the "Letter from the Board" of the Circular.

4.1. *The Grant of the Put Option*

Pursuant to the Shareholders Agreement, each Party B, without having to pay any premium, has been granted the rights to request Party A and/or Party C1 to repurchase the equity interests in Party A owned by it. The principal terms of the Put Option are summarised below:

LETTER FROM THE IFA

(a) *Circumstances under which the Put Option may be exercised*

A Party B may exercise the Put Option under any of the circumstances set out below:

- (i) Party A fails to achieve a Qualified Listing before 31 December 2026, or due to other causes, it is reasonably foreseeable that Party A cannot achieve a Qualified Listing within the aforesaid deadline;
- (ii) before 31 December 2026, Party A or Party C1 expressly declares that Party A has abandoned the Qualified Listing arrangement or work;
- (iii) Party A and/or Parties C materially breach the Shareholders Agreement, the Capital Increase Agreement or the new articles of association before the Qualified Listing; or
- (iv) there are other shareholders requesting Party A and/or Party C1 to repurchase their equity interests in Party A.

(b) *Repurchase price*

The repurchase price shall be the part of the Total Subscription Price paid by the relevant Party B, plus an annualised interest rate of 8% (simple interest) on such Total Subscription Price, calculated during the period Party B holds the equity interests, minus the cash dividends obtained by that Party B over the years.

It is common for companies planning for initial public offerings (“**IPOs**”) on public markets to solicit professional and high-profile investors prior to their listing, with a view to enhancing the profile of the companies and their attractiveness to public investors. Often, such professional investors would invest with the main objective of augmenting and facilitating the listing process and thereafter realising their investments at the time of listing or shortly after. If an IPO plan does not proceed or did not occur, these investors will seek an exit.

We concur with the Management that arrangement such as the Put Option is a common feature for the abovementioned pre-IPO investments (“**Pre-IPO Investments**”), which is catered to providing an exit for pre-IPO investors in the event where the listing on the relevant stock exchange does not happen within the agreed timeline. In this regard, we have conducted research on prospectuses issued on the Stock Exchange in April 2023 (being the most recent month before the entering into of the Shareholders Agreement) and noted in cases where there were Pre-IPO Investments (as disclosed in the relevant Prospectuses), the agreements contain arrangements similar to the Put Option.

In terms of the tenure (i.e. on or before 31 December 2026), we understand that it is determined based on the targeted listing date of Party A as agreed among Party A, Parties B and Parties C. In this regard, we have obtained the relevant information in relation to the IPO timeline of Party A from the Management and noted it is in line with the tenure.

LETTER FROM THE IFA

In terms of the repurchase price, we noted that it is calculated based on (i) the Total Subscription Price; (ii) plus an annualised interest rate of 8%; and (iii) minus the cash dividends obtained by Parties B over the period they hold the equity interest. In this regard, we understand from the Management that such calculation is arrived at based on arm's length negotiations with, and feedback from, the 15 Outside Investors, which are mainly Independent Third Parties institutional private equity-type investment funds which general partners include some notable companies as discussed in the paragraph headed "3.1. The Total Subscription Price" above.

The calculation is based on prevailing market practice of Pre-IPO Investments in the PRC while the 8% annualised interest rate is with reference to the typical hurdle rate of private equity funds; that is, the minimum rate of return expected. In this regard, we have conducted sample research on information disclosed by private equity funds and note that their hurdle rates are generally between 6% and 9%. The 8% annualised interest rate is therefore within market expectations and we are of the view that the determination of the repurchase price is on normal commercial terms.

For illustrative purposes, the maximum repurchase price under the Put Option is estimated to be approximately RMB1,297 million (for details, please refer to the paragraph headed "5.2 Put Option for Parties B to request Party A and/or Party C1 to repurchase Parties B's equity interests in Party A" in the "Letter from the Board" of the Circular). Based on the Group's current scale of operation and financial position, the Group has the necessary resources to facilitate the Put Option.

Overall, we are of the view that the grant of Put Option is fair and reasonable to the Independent Shareholders.

4.2. *Restrictions on transfer of equities in Party A*

Pursuant to the Shareholders Agreement, before the occurrence of the Qualified Listing, (i) each Party C shall not transfer any or all of its equity interests in Parties A, or pledge or encumber such equity interests without the written consent of Parties B; and (ii) without Parties C's prior written consent, Parties B shall not transfer their equity interests in Party A to any competitor directly or indirectly engaging in the same business or business similar to the principal business of Party A, as further discussed in the paragraph headed "5.3 Restrictions on transfer of equities in Party A" in the "Letter from the Board" of the Circular.

We noted that such mechanism aims to provide mutual protection among parties to the Shareholders Agreement in terms of the shareholding structure in Party A and is a common feature for Pre-IPO Investments.

4.3. *Anti-dilution*

Pursuant to the Shareholders Agreement, from the date of Completion to the date of the Qualified Listing, if Party A undertakes any capital increase or issues convertible bonds or other security interests that may be converted into the registered capital of Party A, unless

LETTER FROM THE IFA

Parties B agree in writing, the unit subscription price of the new investors shall not be lower than the unit subscription price of Parties B, as further discussed in the paragraph headed “5.4 Anti-dilution” in the “Letter from the Board” of the Circular.

We noted that such mechanism aims to protect Parties B as the pre-IPO investors in terms of any future potential dilution events and is a common feature for Pre-IPO Investments.

Overall, having taken into account the factors above, we considered that the Shareholders Agreement is fair and reasonable and on normal commercial terms.

5. The Company’s rationale for the Subject Transactions

As stated in the paragraph headed “8. Reasons and benefits of the Subject Transactions” in the “Letter from the Board” of the Circular, the Management believes that the Subject Transactions will provide additional financial resources to support Party A’s general working capital, broaden the capital base, enhance its financial conditions for its business development and pursue its growth strategies, which is beneficial to the Company as a shareholder of Party A and is in line with the Group’s long-term corporate investment strategy.

In this regard, we noted that the Subject Transactions in substance aim to introduce a number of professional and high-profile investors for Party A for its preparation of Qualified Listing in the next few years, which in turn, may potentially benefit the Group (as the major shareholder of Party A) from realising its value of investment in Party A. The funds raised through the Capital Increase will be used for the business development and to enhance working capital of Party A in the manner as set out in the paragraph headed “4. Intended use of proceeds” in the “Letter from the Board” of the Circular, which is beneficial to the further business and financial growth of Party A and in turn, beneficial to its shareholders (including the Company).

With regards to the Put Option granted, this could essentially provide a safeguard to the Group to consolidate its interests and control in Party A in the case where the Qualified Listing is not achieved during the agreed timeline. In this respect, if there are changes to the plan of Party A going public and it chooses to remain as a private company, we concur with the Management that consolidating the Group’s shareholding in Party A and simplifying the shareholding by reducing the number of shareholders of Party A can facilitate faster and more efficient corporate decision making.

Overall, we are of the view that the Subject Transactions are in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the terms of the Subject Transactions are fair and reasonable; (ii) the Subject Transactions are in the normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the Subject Transactions are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE IFA

Accordingly, we recommend the Independent Shareholders, as well as the IBC to recommend the Independent Shareholders, to vote in favour of the proposed resolution at the EGM in relation to the Subject Transactions.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

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 Group. 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 and, in respect of equity derivatives, underlying shares in, and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or members of the Group which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or, which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the Shares, underlying Shares and/or debentures of the Company

Name of Director	Capacity	Number of Shares held (long position)	Approximate % of shareholding in the total issued Shares
Zhang Tianren	Interest of controlled corporation (<i>Note 1</i>)	410,355,650	36.44
	Interest of spouse (<i>Note 1</i>)	438,000	0.04
Zhang Aogen	Interest of controlled corporation (<i>Note 2</i>)	13,641,022	1.21
Zhang Kaihong	Interest of controlled corporation (<i>Note 3</i>)	18,884,174	1.68
Shi Borong	Interest of controlled corporation (<i>Note 4</i>)	15,686,141	1.39
Zhou Jianzhong	Interest of controlled corporation (<i>Note 5</i>)	2,362,815	0.21
Huang Dongliang	Beneficial owner	240,000	0.02

Notes:

1. These Shares were held by Prime Leader Global Limited, which was wholly-owned by Dr. Zhang. The interest in 438,000 Shares arise from the share options granted to Ms. Yang Yaping, the spouse of Dr. Zhang.
2. These Shares were held by Top Benefits International Limited, which was wholly-owned by Mr. Zhang Aogen.
3. These Shares were held by Plenty Gold Holdings Limited, which was wholly-owned by Mr. Zhang Kaihong.
4. These Shares were held by Precise Asia Global Limited, which was wholly-owned by Mr. Shi Borong.
5. These Shares were held by Centre Wealth Limited, which was wholly-owned by Mr. Zhou Jianzhong.

In addition to disclosure above, on 16 June 2014, the Company had granted 58,660,000 options to subscribe for Shares in accordance with the Company's share option scheme adopted pursuant to a resolution passed by the then Shareholders on 26 February 2007. Among the options, 2,215,000 options were granted to the associates of the Directors. The names of the grantees who are associates of the Directors were listed in the announcement of the Company dated 16 June 2014.

(b) Interests in associated corporation

As at the LPD, Party A was an associated corporation of the Company. Dr. Zhang was, through his controlled corporation (namely Party C2), interested in the registered capital of RMB34,314,000, representing approximately 35% of the total registered capital of Party A. Please refer to section 7.2 of the Board Letter for more information on Party C2 and its relationship with Dr. Zhang.

Save as disclosed above, as at the LPD, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares or, in respect of equity derivatives, underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the LPD, Dr. Zhang (in the nature of interest in controlled corporation, namely Prime Leader Limited) was a substantial shareholder of the Company holding an aggregate of approximately 36.48% of the Shares in issue. Please refer to note 1 to section 2(a) of this Appendix for details.

Save as disclosed above, as at the LPD, so far as is known to the Directors or chief executives of the Company, there was no person who had interests or short positions in the Shares or 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, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

As at the LPD, Dr. Zhang, a Director, was also a director of Prime Leader Limited, a company which was interested in the Shares as disclosed in note 1 to section 2(a) of this Appendix. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) As at the LPD, none of the Directors had, or have had, any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (b) Save and except for the Capital Increase Agreement and the Shareholders Agreement which Dr. Zhang was materially interested as disclosed in section 8 of the Board Letter, there was no contract or arrangement subsisting as at the date of this circular in which any of the Directors was materially interested and which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the LPD, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete either directly or indirectly with the Group's businesses (as would be required to be disclosed under rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

6. SERVICE CONTRACTS

All of the executive Directors and Independent Directors have entered into services contracts or a letter of appointment with the Company, respectively. The term of appointment of Dr. Zhang, Mr. Zhang Aogen, Mr. Zhang Kaihong, Mr. Shi Borong and Mr. Huang Dongliang is 3 years from 11 June 2007; the term of appointment of Mr. Zhou Jianzhong is 3 years from 27 March 2015, the term of appointment of Mr. Zhang Yong is 3 years from 8 August 2018; the term of appointment of Mr. Xiao Gang is 1 year from 15 March 2022. The term of appointment of each Director is renewable by mutual agreement of both parties unless terminated by not less than three months' prior notice in writing served by either party. All Directors are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with Article No. 87 of the articles of association of the Company.

7. NO MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice contained in this circular or references to their names have been made in this circular:

Name	Qualification
Altus	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which have 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 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to its name in the form and context in which they appear.

9. GENERAL

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

10. DOCUMENTS ON DISPLAY

Copies of the Capital Increase Agreement and the Shareholders Agreement are available on (i) the website of the Company (www.tianneng.com.hk); and (ii) the website of the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular.

NOTICE OF EGM



TIANNENG POWER INTERNATIONAL LIMITED

天能動力國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00819)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Tianneng Power International Limited (the “**Company**”) will be held at Conference Room, 3/F., Tianneng Group Building, No. 18 Baoqiao Road, Huaxi Industrial Function Zone, Changxing County, Zhejiang, China on Friday, 14 July 2023 at 2:00 p.m. for the purposes of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Capital Increase Agreement and the Shareholders Agreement entered into among Party A, Parties B and Parties C (each as amended and/or restated from time to time) and the transactions contemplated thereunder (including, among other things, the Capital Increase and the grant and the exercise of the Put Option) be hereby approved, ratified and confirmed; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such further documents or deeds as he may, in his absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Capital Increase Agreement and the Shareholders Agreement and the transactions contemplated thereunder (including, among other things, the Capital Increase and the grant and the exercise of the Put Option), and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

By order of the Board
Tianneng Power International Limited
Zhang Tianren
Chairman

Hong Kong, 28 June 2023

NOTICE OF EGM

Notes:

- (1) Unless otherwise defined, capitalised terms used in this notice shall have the meanings as those defined in the circular of the Company dated 28 June 2023 of which this notice forms part.
- (2) Any member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. All proxy forms must be deposited with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the EGM or any adjournment meeting.
- (3) The register of members of the Company will be closed from 11 July 2023 to 14 July 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the EGM, all share certificates, together with duly completed transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 10 July 2023. Shareholders whose names are recorded in the register of members of the Company on 14 July 2023 are entitled to attend and vote at the EGM.
- (4) Pursuant to rule 13.39(4) of the Listing Rules, all resolution(s) set out in this notice will be decided by poll at the EGM.

As at the date of this notice, the executive directors of the Company are Dr. ZHANG Tianren, Mr. ZHANG Aogen, Mr. ZHANG Kaihong, Mr. SHI Borong and Mr. ZHOU Jianzhong; and the independent non-executive directors of the Company are Mr. HUANG Dongliang, Mr. ZHANG Yong and Mr. XIAO Gang.