
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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CIMC ENRIC
CIMC Enric Holdings Limited
中集安瑞科控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3899)

**REVISION OF ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS UNDER
(1) THE MASTER SALES AGREEMENT (2022)
AND
(2) THE MASTER PROCUREMENT AGREEMENT (2022)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-28 of this circular.

A notice convening the EGM to be held at Room 2102, 21/F, World Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Thursday, 19 October 2023 at 3 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed with this circular.

Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

Hong Kong, 25 September 2023

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DEFINITIONS

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

“AJ Corporate Finance” or “Independent Financial Adviser”	AJ Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CIMC”	中國國際海運集裝箱(集團)股份有限公司 (China International Marine Containers (Group) Co., Ltd.*), a company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange and the H shares of which are listed on the Main Board of the Stock Exchange, and the controlling shareholder of the Company
“CIMC Group”	CIMC and its subsidiaries (but excluding members of the Group) and associates
“CNG”	compressed natural gas
“Company”	CIMC Enric Holdings Limited 中集安瑞科控股有限公司, an exempted company incorporated in the Cayman Islands on 28 September 2004 with limited liability under the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 2102, 21/F, World Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Thursday, 19 October 2023 at 3 p.m. to consider and, if thought fit, approve the adoption of the Revised Sales Annual Caps and the Revised Procurement Annual Caps

DEFINITIONS

“Existing Procurement Annual Caps”	the maximum aggregate consideration payable by members of the Group to members of the CIMC Group per annum in connection with the Procurement Transactions contemplated under the Master Procurement Agreement (2022) for the three years ending 31 December 2025, the particulars of which are set out in the section headed “I. Revision of the Existing Procurement Annual Caps” in this circular
“Existing Sales Annual Caps”	the maximum aggregate consideration payable by members of the CIMC Group to members of the Group per annum in connection with the Sales Transactions contemplated under the Master Sales Agreement (2022) for the three years ending 31 December 2025, the particulars of which are set out in the section headed “I. Revision of the Existing Sales Annual Caps” in this circular
“Government Determined Rate”	the rate of fees/prices for a particular type of services/products as determined by laws, regulations, decisions, orders or policies issued by the legitimate government of the place where the relevant services/products are provided (including the government and provincial governments of the PRC) or other regulatory authorities
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Tsui Kei Pang, Mr. Wang Caiyong, Mr. Yang Lei and Ms. Wong Lai, Sarah, established to advise the Independent Shareholders on the fairness and reasonableness of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps
“Independent Shareholders”	the Shareholders other than CIMC and its associates, who are not required to abstain from voting on the resolution(s) in respect of the Revised Sales Annual Caps and the Revised Procurement Annual Caps at the EGM under the Listing Rules
“Independent Third Party(ies)”	a party(ies) which is (are) independent of and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates

DEFINITIONS

“Latest Practicable Date”	19 September 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“Master Procurement Agreement (2022)”	the agreement dated 28 November 2022 entered into between the Company and CIMC relating to the Procurement Transactions, details of which are set out in the section titled “V. The Master Procurement Agreement (2022)” in the announcement of the Company dated 28 November 2022
“Master Sales Agreement (2022)”	the agreement dated 28 November 2022 entered into between the Company and CIMC relating to the Sales Transactions, details of which are set out in the section titled “III. The Master Sales Agreement (2022)” in the announcement of the Company dated 28 November 2022
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Procurement Transactions”	the procurement of various spare parts, raw materials (including but not limited to vehicle chassis, vehicle platforms, operating system, containers and steel (inclusive of waste and surplus materials)) and/or components for construction projects by members of the Group from members of the CIMC Group
“Revised Procurement Annual Caps”	the revised maximum aggregate consideration payable by members of the Group to members of the CIMC Group per annum in connection with the Procurement Transactions contemplated under the Master Procurement Agreement (2022) for the three years ending 31 December 2025, the particulars of which are set out in the section headed “I. Revision of the Existing Procurement Annual Caps” in this circular

DEFINITIONS

“Revised Sales Annual Caps”	the revised maximum aggregate consideration payable by members of the CIMC Group to members of the Group per annum in connection with the Sales Transactions contemplated under the Master Sales Agreement (2022) for the three years ending 31 December 2025, the particulars of which are set out in the section headed “I. Revision of the Existing Sales Annual Caps” in this circular
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sales Customers”	the customers who require finance leases to purchase products of the Group and are referred by the Group to the CIMC Group pursuant to the Master Sales Agreement (2022)
“Sales Transactions”	the sale of products for storage, transportation and processing in the fields of clean energy, chemical and liquid food, spare parts and raw materials for production, as well as components for construction projects (including but not limited to natural gas refueling stations and related equipment, natural gas refueling station trailers, CNG seamless pressure cylinders, CNG trailers, natural gas compressors, LNG trailers and tanks, on-vehicle LNG fuel tanks, cryogenic liquefied gas tanks, compressed specialised gas trailers, tank containers for chemical liquids, liquefied gas and cryogenic liquids, and stainless steel processing, storage tanks for liquid food, vehicle chassis, vehicle platforms, operating system, steel and waste and surplus materials) by members of the Group to members of the CIMC Group
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

English names marked with “” in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

LETTER FROM THE BOARD

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Executive Director:

Yang Xiaohu (*President*)

Non-executive Directors:

Gao Xiang (*Chairman*)

Yu Yuqun

Zeng Han

Wang Yu

Independent Non-executive Directors:

Tsui Kei Pang

Wang Caiyong

Yang Lei

Wong Lai, Sarah

Registered Office:

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong:

Suites 1902-3, 19th Floor,

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No. 12 Harcourt Road

Central, Hong Kong

Head Office in the PRC:

CIMC R&D Center

No. 2 Gangwan Avenue

Shekou Industrial Zone

Shenzhen, Guangdong

The PRC

25 September 2023

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS UNDER
(1) THE MASTER SALES AGREEMENT (2022)
AND
(2) THE MASTER PROCUREMENT AGREEMENT (2022)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 23 August 2023 in relation to the revision of (i) the Existing Sales Annual Caps to the Revised Sales Annual Caps under the Master Sales Agreement (2022) and (ii) the Existing Procurement Annual Caps to the Revised Procurement Annual Caps under the Master Procurement Agreement (2022).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Sales Transactions and the related Revised Sales Annual Caps and the Procurement Transactions and the related Revised Procurement Annual Caps; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of EGM; and (v) other information as required under the Listing Rules.

REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE MASTER SALES AGREEMENT (2022)

Reference is made to the announcement of the Company dated 28 November 2022 in relation to, among other matters, the Master Sales Agreement (2022) entered into between the Company and CIMC with respect to the Sales Transactions for a term of three years commencing from 1 January 2023 to 31 December 2025.

The principal terms of the Master Sales Agreement (2022) are as follows:

- Date:** 28 November 2022
- Parties:**
1. the Company (as services provider); and
 2. CIMC (as service user)

Subject matter:

Sale of products for storage, transportation and processing in the fields of clean energy, chemical and environmental and liquid food, spare parts and raw materials for production, as well as components for construction projects (including but not limited to natural gas refueling stations and related equipment, natural gas refueling station trailers, CNG seamless pressure cylinders, CNG trailers, natural gas compressors, LNG trailers and tanks, on-vehicle LNG fuel tanks, cryogenic liquefied gas tanks, compressed specialized gas trailers, tank containers for chemical liquids, liquefied gas and cryogenic liquids, and stainless steel processing, storage tanks for liquid food, vehicle chassis, vehicle platforms, operating system, steel and waste and surplus materials) by the Group to the CIMC Group for a period of three years commencing on 1 January 2023 and expiring on 31 December 2025.

The sale of the products by the Group to the CIMC Group is for the purposes of (i) enabling the CIMC Group to provide finance leases to the Sales Customers (who are customers of the Group that require finance leases to purchase the products and are referred by the Group to the CIMC Group for that purpose) and/or (ii) the CIMC Group's own manufacturing and business operations.

LETTER FROM THE BOARD

Pricing basis and policy:

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Sales Agreement (2022) in accordance with the principal terms set out therein. In particular, in case where products of the Group are sold to the CIMC Group for the purpose of enabling the latter to provide finance leases to the Sales Customers, separate tripartite contracts will be entered into among the Sales Customer, the relevant member(s) of the Group and of the CIMC Group, under which the relevant member(s) of the CIMC Group will covenant to pay for the products to be provided by the relevant member(s) of the Group.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available to Independent Third Parties.

The price of the products contemplated under the Master Sales Agreement (2022) will be determined in accordance with the estimated cost to be incurred in providing the relevant products (including the estimated cost of raw materials, depreciation of premises/building/equipment used in producing the products, the costs of labour, other incidental costs and the relevant taxes) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the Group when the same type of products are provided by the Group to the Independent Third Parties and the price offered by the Group's counterparts to their customers for the same type of products at or near the same area in the ordinary course of business and on normal commercial terms. The Group maintains a minimum target gross profit margin for all products on the Product Price List (as defined below in the section headed "Internal control measures"), which is equally applicable for sales to both the CIMC Group and Independent Third Parties when negotiating prices.

Regarding the sale of products to the CIMC Group for the purpose of enabling it to provide finance leases to the Sales Customers, within 10 business days following the entering into of a tripartite contract for each individual transaction among the Sales Customers, the relevant member(s) of the CIMC Group and of the Group, the Sales Customers will pay to the Group (or the CIMC Group will receive on the Group's behalf) no less than 10% of the consideration thereunder as deposit. The balance of the consideration will be paid by the CIMC Group to the Group within 30 days from the date of acknowledgement of receipt of the products or passing of the inspection by the CIMC Group. Upon the entering into each tripartite individual contract, in line with the usual terms of the contracts between the Group and Independent Third Parties, the Group will provide a one-year quality guarantee to the Sales Customer during which the Group will provide free repair and maintenance services to the Sales Customer.

LETTER FROM THE BOARD

Internal control measures:

To ensure that the terms of the continuing connected transactions contemplated under the Master Sales Agreement (2022) are on normal commercial terms, or on terms no less favourable to the Group than terms available to Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Sales Agreement (2022) and to ensure that the transactions are conducted in accordance with the terms thereof:

The Group's sales department maintains a price list of the Group's products (the "**Product Price List**"). The Product Price List is compiled based on (i) the estimated production cost (determined taking into account factors including the estimated cost of raw materials, depreciation of premises/building/equipment used in production, the labour cost, incidental production costs and the relevant taxes); and (ii) appropriate profit margin to be determined by the Group with reference to the profit margin obtained by the Group when the same type of products are provided by the Group to the Independent Third Parties and the price offered by the Group's counterparts to their customers for the same type of products at or near the same area in the ordinary course of business and on normal commercial terms. The Group maintains a minimum target gross profit margin for all products on the Product Price List, which is equally applicable for sales to both the CIMC Group and Independent Third Parties when negotiating prices.

Records of products supplied by the Group to all customers (i.e. including the CIMC Group and Independent Third Parties), which include information relating to identity of the customer, nature of the transaction and transaction amount will be maintained by the Group's sales department. The finance department of the Group will also keep detailed records of the actual production cost of products supplied by the Group to all customers (i.e. including the CIMC Group and Independent Third Parties) and the corresponding profit margin. The Group's sales department is also responsible for keeping track of the price offered by industry counterparts for similar type of products. The senior management of the Group will review and adjust the Product Price List from time to time with reference to such records, as well as prices offered by the Group's counterparts for the same type of products in the market (if any).

In addition, each member of the Group will report their respective transaction amounts and details as contemplated under the Master Sales Agreement (2022) at the end of each month to the Group's finance department. The Group's finance department will then on a monthly basis consolidate the transaction details and the total transaction amounts, so as to monitor the Group's total transaction amounts to ensure the proposed annual caps will not be exceeded.

As the actual transaction amounts and orders on hand of the Company for the Sales Transactions under the Master Sales Agreement (2022) for the six months ended 30 June 2023 have exceeded the estimate of the Company at the time of determining the existing annual cap in 2022, and it is expected that the transaction amounts for the Sales Transactions under the Master Sales Agreement (2022) will exceed the existing annual caps for the three years ending 31 December 2025, the Company has therefore on 23 August 2023 resolved to revise the Existing Sales Annual Caps to the Revised Sales Annual Caps, while all the terms and conditions under the Master Sales Agreement (2022) remain unchanged.

LETTER FROM THE BOARD

I. REVISION OF THE EXISTING SALES ANNUAL CAPS

The existing maximum aggregate consideration payable by members of the CIMC Group to members of the Group per annum in connection with the Sales Transactions contemplated under the Master Sales Agreement (2022) for the three years ending 31 December 2025 and the Revised Sales Annual Caps are as follows:

	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Sales Annual Caps	500,000	570,000	670,000
Revised Sales Annual Caps	776,000	1,054,000	1,181,000

The historical transaction amounts for the year ended 31 December 2022 and the six months ended 30 June 2023 under the Master Sales Agreement (2022) are set out below:

	For the year ended 31 December 2022	For the six months ended 30 June 2023
	(audited) <i>RMB'000</i>	(unaudited) <i>RMB'000</i>
Historical transaction amount	293,805.7	145,704.5

The Board confirms that the Existing Sales Annual Cap for the year ending 31 December 2023 under the Master Sales Agreement (2022) has not yet been exceeded as at the Latest Practicable Date.

The terms and conditions under the Master Sales Agreement (2022), including the pricing basis and policy, remain unchanged.

II. REASONS FOR REVISING AND THE BASIS FOR DETERMINING THE REVISED SALES ANNUAL CAPS

Based on the Company's unaudited financial information as at 30 June 2023, the total actual transaction amount of the Company for the Sales Transactions for the six months ended 30 June 2023 amounted to RMB145.7 million, and together with the orders on hand of the Company, has exceeded the estimate of the Company at the time of determining the existing annual cap in 2022.

LETTER FROM THE BOARD

The Company has been carefully monitoring the actual transaction amounts and estimated demand of the Group. While the utilisation of cap amount for the six months ended 30 June 2023 of approximately 30% is considered by the Company to be reasonably acceptable owing to the decrease of business activities due to the prolonged subsistence of COVID-19 during the two years of 2021 and 2022, together with (i) a sufficient buffer in the cap amount to accommodate the unexpected fluctuation in the annual growth of transaction volume, (ii) the sales orders already received up to 30 June 2023 which are expected to be completed by 31 December 2023 and (iii) the orders under discussion for the second half of 2023, which will amount to approximately RMB629.9 million, as well as (iv) the historical sales trend that most of the Sales Transactions incurred in the second half of the year, reaching approximately 60% utilisation of the annual cap amount, the Company expects that the sales amount to be achieved for the year ending 31 December 2023 will exceed the Existing Sales Annual Cap for the year ending 31 December 2023.

The overall sale of products and components for construction projects by members of the Group under the Master Sales Agreement (2022) has increased due to the increased demand for the Group's products, including by the CIMC Group for its own manufacturing use and by CIMC Finance Leasing Co., Ltd. for the provision of finance leases to customers of the Group in 2023. Besides the expected growth in the provision of finance leases to customers of the Group, a significant estimated growth in demand for the Group's products in 2024 and 2025 is attributable to the increase in demand by the CIMC Group for its own manufacturing use. In particular, the confirmed amount of contract sales attributable to one of the customers of the Group in 2024 and 2025 are RMB168.8 million and RMB253.3 million respectively, and the estimated total amount of contract sales under discussion attributable to such customer in 2024 and 2025 is expected to be not less than RMB156.0 million. Considering the expected continuing business growth of the Group and the actual transaction amounts and orders on hand in the first six months of 2023, the Company anticipates that the aggregate transaction amounts for each of the three years ending 31 December 2025 will exceed the existing annual caps.

In addition, a buffer is necessary to accommodate the unexpected fluctuation in the annual growth of transaction volume. The Company has therefore decided to revise the Existing Sales Annual Caps under the Master Sales Agreement (2022) as set out above.

The Revised Sales Annual Caps have been determined with reference to:

- (a) actual sales transactions recorded for the six-month period ended 30 June 2023;
- (b) sales orders received up to 30 June 2023 which are expected to be completed by 31 December 2023;
- (c) estimated sales orders that are expected to be received and completed by 31 December 2023;
and
- (d) estimated growth in demand for the Group's products in 2024 and 2025.

LETTER FROM THE BOARD

The Directors consider that the Sales Transactions are and will continue to be conducted in the ordinary and usual course of business of the Group and on normal commercial terms. Based on (i) the actual transaction amount under the Master Sales Agreement (2022) for the six months ended 30 June 2023 together with the sales orders already received up to 30 June 2023 which are expected to be completed by 31 December 2023 and the orders under discussion for the second half of 2023, (ii) the potential increase in Sales Transactions as a result of the expected business growth for the three years ending 31 December 2025, (iii) the amount of contract sales attributable to one of the customers of the Group, and (iv) the addition of a reasonable buffer on the annual caps, the Directors consider that the Sales Transactions and the Revised Sales Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE MASTER PROCUREMENT AGREEMENT (2022)

Reference is made to the announcement of the Company dated 28 November 2022 in relation to, among other matters, the Master Procurement Agreement (2022) entered into between the Company and CIMC with respect to the Procurement Transactions for a term of three years commencing from 1 January 2023 to 31 December 2025.

The principal terms of the Master Procurement Agreement (2022) are as follows:

- Date:** 28 November 2022
- Parties:**
1. the Company (as purchaser); and
 2. CIMC (as seller)

Subject matter:

Procurement of various spare parts, raw materials (including but not limited to vehicle chassis, vehicle platforms, operating system, containers and steel (inclusive of waste and surplus materials)) and/or components for construction projects by the Group from the CIMC Group for a period of three years commencing on 1 January 2023 and expiring on 31 December 2025.

The Group and the CIMC Group may purchase spare parts, raw materials and/or components for construction projects from or sell spare parts, raw materials and/or components for construction projects to third parties. If the terms and conditions proposed by such third parties are the same as those proposed by the Group or the CIMC Group, priority will be given to the sale of spare parts, raw materials and/or components for construction projects to or purchase of spare parts, raw materials and/or components for construction projects from the Group or the CIMC Group.

Pricing basis and policy:

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Procurement Agreement (2022) in accordance with the principal terms set out therein.

LETTER FROM THE BOARD

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties.

The price of the spare parts, raw materials and/or components for construction projects contemplated under the Master Procurement Agreement (2022) will be determined in accordance with the following principles and orders:

1. the Government Determined Rate;
2. (where there is no Government Determined Rate) with reference to market price, being the price at which the same type of spare parts, raw materials and/or components for construction projects are provided by Independent Third Parties to the Group at or near the same area in the ordinary course of business and on normal commercial terms; or
3. (where there is no Government Determined Rate or relevant market price) the estimated cost incurred in providing the relevant spare parts, raw materials and/or components for construction projects (including costs of the raw materials, depreciation charges, the costs of labour and other production costs) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the CIMC Group when the same type of spare parts, raw materials and/or components for construction projects are provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms.

At present, there is no Government Determined Rate applicable to the spare parts, raw materials and/or components for construction projects covered under the Master Procurement Agreement (2022). To determine the price of relevant products, the Company will then make reference to the market price by obtaining quotations from Independent Third Parties. Given that the spare parts, raw materials and/or components for construction projects usually have specific requirements or technical specifications, quotations need to be obtained from comparable Independent Third Parties in terms of product quality, product specifications and geographical location etc. in order to provide a meaningful comparison for assessment by the finance and procurement departments. For each type of spare parts and raw materials covered under the Master Procurement Agreement (2022), an average of two to three quotations are obtained from Independent Third Parties.

Within 14 days from the entering into of an individual contract, 10% of the consideration will be paid by the Group as deposit and the balance will be paid within 3 months from receipt and satisfactory inspection of the spare parts, raw materials and/or components for construction projects.

Internal control measures:

To ensure that the terms of the continuing connected transactions contemplated under the Master Procurement Agreement (2022) are on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Procurement Agreement (2022) and to ensure that the transactions are conducted in accordance with the terms thereof.

LETTER FROM THE BOARD

The procurement department of the Group is primarily responsible for assessing the procurement plans. Prior to entering into any separate procurement contracts with the CIMC Group and upon receiving the quotation from the CIMC Group for the procurement, the procurement department will ascertain the relevant market price by obtaining quotations from Independent Third Parties for comparable volume of same or similar spare parts, raw materials and/or components for construction projects. The Group will obtain such quotations through direct enquiries from established suppliers of scale at or near the same area or tenders.

The finance and procurement departments will compare the quotations and terms supplied by the CIMC Group with those obtained from Independent Third Parties. The terms will be assessed based on the price, the quality, or other selection criteria (depending on the specific requirements, if any) of the spare parts, raw materials and/or components for construction projects. The two aforementioned departments will also consider the corporate background of the counterparty, its reputation and reliability, its ability to conduct the transaction in accordance with the terms of the contract, and at the same time reduce the Group's time and costs of transaction. The pricing terms will be reviewed by the finance department and approved by the senior management.

In case where there is no relevant market price, the finance department of the Group will compare the pricing terms supplied by the CIMC Group with reference to the estimated cost to be incurred in providing the relevant spare parts and/or raw materials (including costs of the raw materials, depreciation charges, the costs of labour and other production costs) plus a gross profit margin to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the CIMC Group when the same type of spare parts and/or raw materials are provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms. The finance department of the Group will obtain statistics from the CIMC Group to ascertain the relevant profit margin obtained by the CIMC Group as against the Independent Third Parties. The pricing terms will be sent to the senior management for approval.

In addition, each member of the Group will report their respective transaction amounts and details as contemplated under the Master Procurement Agreement (2022) at the end of each month to the Group's finance department. The Group's finance department will then on a monthly basis consolidate the transaction details and the total transaction amounts, so as to monitor the Group's total transaction amounts to ensure the proposed annual caps will not be exceeded.

As the actual transaction amounts of the Company for the Procurement Transactions under the Master Procurement Agreement (2022) for the six months ended 30 June 2023 have exceeded the estimate of the Company at the time of determining the existing annual cap in 2022, and it is expected that the transaction amounts for the Procurement Transactions under the Master Procurement Agreement (2022) will exceed the existing annual caps for the three years ending 31 December 2025, the Company has therefore on 23 August 2023 resolved to revise the Existing Procurement Annual Caps to the Revised Procurement Annual Caps, while all the terms and conditions under the Master Procurement Agreement (2022) remain unchanged.

LETTER FROM THE BOARD

I. REVISION OF THE EXISTING PROCUREMENT ANNUAL CAPS

The existing maximum aggregate consideration payable by members of the Group to members of the CIMC Group per annum in connection with the Procurement Transactions for the three years ending 31 December 2025 and the Revised Procurement Annual Caps are as follows:

	For the year ending 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>
Existing Procurement Annual Caps	590,000	640,000	700,000
Revised Procurement Annual Caps	686,000	819,000	903,000

The historical transaction amounts for the year ended 31 December 2022 and the six months ended 30 June 2023 under the Master Procurement Agreement (2022) are set out below:

	For the year ended 31 December 2022 (audited) <i>RMB'000</i>	For the six months ended 30 June 2023 (unaudited) <i>RMB'000</i>
Historical transaction amounts	435,850	295,497

The Board confirms that the Existing Procurement Annual Cap for the year ending 31 December 2023 under the Master Procurement Agreement (2022) has not yet been exceeded as at the Latest Practicable Date.

The terms and conditions under the Master Procurement Agreement (2022), including the pricing basis and policy, remain unchanged.

II. REASONS FOR REVISING AND THE BASIS FOR DETERMINING THE REVISED PROCUREMENT ANNUAL CAPS

Based on the Company's unaudited financial information as at 30 June 2023, the total actual transaction amount of the Company for the Procurement Transactions for the six months ended 30 June 2023 amounted to RMB295.5 million, which has exceeded the estimate of the Company at the time of determining the existing annual cap in 2022.

LETTER FROM THE BOARD

The Company has been carefully monitoring the actual transaction amounts and estimated demand of the Group. The actual transaction amounts of the Company for the six months ended 30 June 2023 have exceeded the estimate of the Company at the time of determining the existing annual caps. The overall purchase of various spare parts and/or raw materials by members of the Group under the Master Procurement Agreement (2022) has increased due to the increased demand for the Group's products and the accelerated execution of the Group's EPC (engineering, procurement and construction) projects in 2023. According to the historical procurement trend, most of the transactions contemplated under the Master Procurement Agreement (2022) incurred in the second half of the year. Considering the expected continuing business growth of the Group and the fact that the actual transaction amounts in the first six months of 2023 had already exceeded 50% of the existing annual cap, the Company anticipates that the aggregate transaction amounts for each of the three years ending 31 December 2025 will exceed the existing annual caps.

In addition, a buffer is necessary to accommodate the unexpected fluctuation in the annual growth of transaction volume. The Company has therefore decided to revise the Existing Procurement Annual Caps under the Master Procurement Agreement (2022) as set out above.

The Revised Procurement Annual Caps have been determined with reference to:

- (a) actual Procurement Transactions recorded for the six-month period ended 30 June 2023;
- (b) procurement orders placed with the CIMC Group up to 30 June 2023 which are expected to be completed by 31 December 2023;
- (c) estimated sales orders that are expected to be received which will require procurement by 31 December 2023; and
- (d) estimated growth in demand for the Group's products in 2024 and 2025 that will require procurement of spare parts, raw materials and components for construction projects from the CIMC Group.

The Directors consider that the Procurement Transactions are and will continue to be conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and that the terms of the Procurement Transactions and the Revised Procurement Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, as well as the provision of technical maintenance services for, a wide range of transportation, storage and processing equipment used in the energy, chemical and liquid food industries. As at the Latest Practicable Date, the ultimate controlling party of the Company is CIMC.

LETTER FROM THE BOARD

CIMC Group is principally engaged in the container manufacturing and service business, road transportation vehicle business, energy business, offshore engineering business and airport facilities equipment business, as well as the provision of relevant services, including the design, manufacture and service of international standard dry containers, reefer containers, regional special containers, tank containers, wooden container floorboards, road tank trucks, static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semi-submersible drilling platforms, special vessels, passenger boarding bridges and bridge-mounted equipment, airport ground support equipment, fire safety and rescue vehicles, automated logistics system and intelligent parking system and relevant services.

LISTING RULES IMPLICATIONS

As CIMC is a controlling shareholder of the Company indirectly holding approximately 67.60% of the Shares, it is therefore a connected person of the Company under the Listing Rules. As such, the Sales Transactions and the Procurement Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps exceed 5%, the Sales Transactions and the Procurement Transactions are therefore subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the senior management position(s) and/or directorship(s) held by Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Zeng Han and Mr. Wang Yu, all of whom are directors of the Company, CIMC and/or certain subsidiaries of CIMC, they are deemed to be materially interested in the Sales Transactions and the Procurement Transactions and have abstained from voting on the relevant Board resolutions. Save for the aforementioned, none of the other Directors has a material interest in the continuing connected transactions contemplated under the Master Sales Agreement (2022) and the Master Procurement Agreement (2022).

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tsui Kei Pang, Mr. Wang Caiyong, Mr. Yang Lei and Ms. Wong Lai, Sarah, has been established to advise the Independent Shareholders on the fairness and reasonableness of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps, and to advise the Independent Shareholders on how to vote at the EGM after taking into account the recommendation of the Independent Financial Adviser.

AJ Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-28 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held at Room 2102, 21/F, World Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Thursday, 19 October 2023 at 3 p.m., at which ordinary resolutions will be proposed to consider and, if thought fit, approve the adoption of the Revised Sales Annual Caps and the Revised Procurement Annual Caps.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will exercise his power under Article 66 of the Articles of Association of the Company to put the resolutions to be proposed at the EGM to be voted on by way of poll. The Company will announce the results of the poll after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Sales Transactions contemplated under the Master Sales Agreement (2022) and the Procurement Transactions contemplated under the Master Procurement Agreement (2022) shall abstain from voting on the resolutions to be proposed at the EGM. As CIMC being a controlling Shareholder indirectly holding 1,371,016,211 Shares (representing approximately 67.60% of the total issued share capital of the Company) as at the Latest Practicable Date, is materially interested in the Sales Transactions and the Procurement Transactions, CIMC and its associates will abstain from voting on the resolutions to be proposed at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no other Shareholder who has a material interest in the Sales Transactions and the Procurement Transactions who is required to abstain from voting on the resolutions to be proposed at the EGM.

A notice of EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed with this circular. Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 16 October 2023 to Thursday, 19 October 2023, both days inclusive, during which no transfer of Shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 October 2023. Shareholders whose names are recorded in the register of members of the Company on Thursday, 19 October 2023 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser) consider that (i) the Revised Sales Annual Caps and the Sales Transactions contemplated thereunder and (ii) the Revised Procurement Annual Caps and the Procurement Transactions contemplated thereunder are fair and reasonable, conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revised Sales Annual Caps and the Revised Procurement Annual Caps.

ADDITIONAL INFORMATION

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

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

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

25 September 2023

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS UNDER
(1) THE MASTER SALES AGREEMENT (2022)
AND
(2) THE MASTER PROCUREMENT AGREEMENT (2022)**

We refer to the circular of the Company dated 25 September 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders on the fairness and reasonableness of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps, and to advise the Independent Shareholders on how to vote at the EGM after taking into account the advice of the Independent Financial Adviser.

AJ Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. The text of the letter of advice from AJ Corporate Finance to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-28 of the Circular.

Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into consideration the terms of the Sales Transactions contemplated under the Master Sales Agreement (2022) and the related Revised Sales Annual Caps, the terms of the Procurement Transactions contemplated under the Master Procurement Agreement (2022) and the related Revised Procurement Annual Caps, as well as the advice of AJ Corporate Finance, we consider that (i) the Revised Sales Annual Caps and the Sales Transactions contemplated thereunder and (ii) the Revised Procurement Annual Caps and the Procurement Transactions contemplated thereunder are fair and reasonable, conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the adoption of the Revised Sales Annual Caps and the Revised Procurement Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Tsui Kei Pang

Mr. Wang Caiyong

Mr. Yang Lei

Ms. Wong Lai, Sarah

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

AJ CORPORATE FINANCE LIMITED

Units 08-09, 39/F
COSCO Tower
183 Queen's Road Central
Hong Kong



25 September 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**REVISION OF ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS UNDER
(1) THE MASTER SALES AGREEMENT (2022)
AND
(2) THE MASTER PROCUREMENT AGREEMENT (2022)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of (i) the terms of the Master Sales Agreement (2022) and the related Revised Sales Annual Caps and (ii) the terms of the Master Procurement Agreement (2022) and the related Revised Procurement Annual Caps. Details of the Master Sales Agreement (2022) and the Master Procurement Agreement (2022), including Revised Sales Annual Caps and Revised Procurement Annual Caps are set out in the circular issued by the Company to the Shareholders dated 25 September 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Letter from the Board of the Circular, CIMC indirectly owns 67.60% of the entire issued share capital of the Company. Accordingly, CIMC is a controlling shareholder of the Company and therefore is a connected person of the Company. Hence, the transactions contemplated under the Master Sales Agreement (2022) and the Master Procurement Agreement (2022) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps (the Revised Sales Annual Caps together with the Revised Procurement Annual Caps are hereinafter referred to as the “**Revised Annual Caps**”), as the Company anticipates some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps will exceed 5% and it is expected that the annual consideration of the Sales Transactions and/or the Procurement Transactions will be more than HK\$10 million, such transactions are subject to the reporting, announcement, annual review, and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Notwithstanding the foregoing, all the terms and conditions under the Master Sales Agreement (2022) and the Master Procurement Agreement (2022) remain unchanged.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tsui Kei Pang, Mr. Wang Caiyong Mr. Yang Lei and Ms. Wong Lai, Sarah, was established to consider and make recommendations to the Independent Shareholders on whether (i) the Revised Sales Annual Caps and the Sales Transactions contemplated thereunder and (ii) the Revised Procurement Annual Caps and the Procurement Transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary course and usual course of business of the Group, and in the interests of the Company and the independent Shareholders as a whole, and as to how to vote at the EGM regarding the relevant resolution(s) to be proposed at the EGM. We, AJ Corporate Finance, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, there were no engagements between the Company and AJ Corporate Finance. As at the Latest Practicable Date, there were no relationships or interests between AJ Corporate Finance on one hand and the Company, CIMC, or their respective core connected persons, close associates or associates on the other hand that could reasonably be regarded as a hinderance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the terms of the Master Sales Agreement (2022) and the related Revised Sales Annual Caps and (ii) the terms of the Master Procurement Agreement (2022) and the related Revised Procurement Annual Caps. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, CIMC, or their respective core connected persons, close associates or associates.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, the Master Sales Agreement (2022) and the Master Procurement Agreement (2022), the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”), the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”). We have also discussed the business and future prospects of the Group with the management of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and the Directors have confirmed to us in writing that all information and representations provided by the Directors and management of the Group, for which they are solely and wholly responsible, are true, accurate and complete in all material aspects and will remain so up to the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the letter from the Board contained in the Circular in connection with the Master Sales Agreement (2022), the Master Procurement Agreement (2022) and the Revised Annual Caps were reasonably made after due and careful inquiry. The Directors have also confirmed to us in writing that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (i) the terms of the Master Sales Agreement (2022) and the related Revised Sales Annual Caps and (ii) the terms of the Master Procurement Agreement (2022) and the related Revised Procurement Annual Caps are fair and reasonable, conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Background of the transaction

On 28 November 2022, the Company announced that, among other matters, the Company and CIMC entered into (i) the Master Sales Agreement (2022) in relation to the Sales Transactions for a term of three years commencing from 1 January 2023 to 31 December 2025, and (ii) the Master Procurement Agreement (2022) in relation to the Procurement Transactions for a term of three years commencing from 1 January 2023 to 31 December 2025 and the proposed annual caps for the continuing connected transactions under each of the Master Sales Agreement (2022) and Master Procurement Agreement (2022).

As stated in the Company's announcement dated 28 November 2022, the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under each of the Sales Transactions and the Procurement Transactions are more than 0.1% but all of them are less than 5%, the continuing connected transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 23 August 2023, the Company announced that it considered that the actual transaction amounts and orders on hand of the Company for the Sales Transactions under the Master Sales Agreement (2022) and the actual transaction amounts of the Procurement Transactions under the Master Procurement Agreement (2022) for the six months ended 30 June 2023 have exceeded the estimates of the Company at the time of determining the respective existing annual caps in 2022, and it is expected that the transaction amounts for (i) the Sales Transactions under the Master Sales Agreement (2022) and (ii) the Procurement Transactions under the Master Procurement Agreement (2022) will exceed the respective existing annual caps for the three years ending 31 December 2025, the Company has therefore resolved to revise (i) the Existing Sales Annual Caps to the Revised Sales Annual Caps and (ii) the Existing Procurement Annual Caps to the Revised Procurement Annual Caps, while all the terms and conditions under the Master Sales Agreement (2022) and the Master Procurement Agreement (2022) remain unchanged.

2. Principal business activities and financial information of the Group

The Company and its subsidiaries are principally engaged in the design, development, manufacturing, engineering and sales of, as well as the provision of technical maintenance services for, a wide range of transportation, storage and processing equipment used in the clean energy, chemical and environmental and liquid food industries.

The Group has three key business segments, namely (i) clean energy segment, (ii) chemical and environmental segment and (iii) liquid food segment, and set out below is a summary of each of the business segments:

Clean energy segment: this segment specialises in the manufacture and sale of a wide range of equipment and construction for the storage, transportation, application, processing and distribution of natural gas, liquefied petroleum gas (“LPG”) and hydrogen such as compressed natural gas and hydrogen trailers, seamless pressure cylinders, LNG trailers, LNG and hydrogen storage tanks, LPG tanks, LPG trailers, natural gas and hydrogen refuelling station systems and natural gas compressors; and the provision of engineering, procurement and construction services for the natural gas and hydrogen industries; the design, production and sale of small and medium-sized offshore liquefied gas carriers; natural gas and hydrogen processing and distribution services and the provision of value-added services for the clean energy industry.

Chemical and environmental: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gaseous chemicals and powder chemicals; the provision of maintenance and value-added service for tank containers; and the provision of key equipment research and development and manufacturing, and professional consulting services in relation to environmental protection.

Liquid food: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, distilled spirits, fruit juice and milk; the provision of turnkey service for the brewery industry as well as other liquid food industries; and the provision of peripheral logistics service.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is a summary of the financial performance of the Group for the two years ended 31 December 2022 and six months ended 30th June 2023 respectively, as extracted from the 2022 Annual Report and the 2021 Annual Report, and the 2023 Interim Report:

<i>RMB '000</i>	Year ended 31 December		Six months ended	Six months ended
	2021	2022	30 June 2022	30 June 2023
	(Audited)	(Audited)	(unaudited)	(unaudited)
Revenue	18,424,763	19,601,761	8,948,693	10,756,489
Gross profit	2,706,002	3,401,440	1,423,118	1,771,166
Profit before income tax	1,139,557	1,398,302	585,026	730,318
Profit for the period	908,392	1,084,938	453,619	570,032
Profit attributable to shareholders of the Company	883,581	1,055,062	439,315	568,673

As seen from the above, the Group has achieved a steady growth of revenue and profit for the past financial years, and steady growth in revenue for the six months ended 30 June 2023 when compared with the corresponding period.

For the year ended 31 December 2022, the Group achieved a revenue of approximately RMB19,601.8 million, representing an increase of approximately 6.4% from the same period of 2021. The revenue increase was mainly due to the recovery of overseas economy and increased international trading activities. The Group's profit attributable to shareholders of the Company for the year ended 31 December 2022 amounted to approximately RMB1,055.1 million, as compared with a profit of RMB883.6 million from the same period of 2021. For the six months ended 30 June 2023, the Group achieved a revenue of approximately RMB10,756.5 million, representing an increase of approximately 20.2% from the corresponding period of 2022.

3. Industry overview

For a long time, the PRC's primary energy sources has come from coal, oil and natural gas. Over the last decade, the PRC's oil and gas supply has been heavily dependent on overseas markets. To ensure the country's energy security, the PRC is now stepping up its efforts to reduce its dependency on imported energy and to accelerate its energy transition, aiming to increase the usage of domestically-produced natural gas and other renewable energy sources such as solar, wind, nuclear and hydrogen. On the other hand, in 2021, the PRC released an action plan detailing their aim to reach peak carbon emission by 2030, and carbon neutrality by 2060. Reforming the current energy mix with renewable energy is a key measure in reaching the target, and expanding the use of "green hydrogen" will be crucial for the PRC to reach its dual carbon goals as the future growth of power supply will mostly come from non-fossil sectors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Overview of the natural gas market in the PRC

Coal-to-gas switching began in the PRC in the year 2000, and it is expected to take 30 years to reach peak the carbon dioxide emissions before 2030 and another 30 years to reach carbon neutrality. As one of the most important green and low-carbon energy sources, natural gas will be positioned as the country's main energy source, and the sector's development under the PRC's 13th Five-Year Plan has been a remarkable achievement. Growth in natural gas consumption has been rapid with significantly increasing gasification rates. Natural gas market reform, increased and more diversified imports and greater storage capacity all lay a solid foundation for the further development of gas as the main energy source during the current 14th Five-Year Plan period.

According to S&P Global, the PRC's LNG demand is projected to grow to 85 megatons in 2025 and 120 megatons in 2030.

The PRC's LNG demand growth has resumed since March 2023. According to S&P Global Waterborne data, the PRC's LNG imports rose 16% year over year in March 2023, breaking the long streak of continuous decline since January 2022.

The growth is attributable to, amongst other things, market sentiment when COVID-19 began to subside in the beginning of 2023. In February 2023, LNG imports were mostly procured during December 2022-January 2023 when the market was still worried about infection rate and the impact on economic growth. By the end of January and early February 2023, this concern gradually faded away as the first wave of COVID-19 infection seemingly passed rather quickly, prompting LNG importers to take advantage of falling prices to restock with March cargoes.

At present, natural gas supply in the PRC is characterized by near-source consumption. Domestic natural gas mainly flows in western production areas, while imported pipeline gas is distributed along those pipelines, with priority of supply given to areas such as Beijing, Tianjin, the Yangtze River Delta and the Pearl River Delta. In coastal areas far away from gas production areas, consumption growth mainly depends on the expansion of LNG imports. There are insufficient gas interconnections, and so regional market separation is still prominent. From a macro industrial development view, it has been envisaged that energy strategy would be focused on fully integrating systems for domestic gas, imported pipeline gas and imported LNG supply with other midstream and downstream infrastructure. This can enable the development of more natural gas hubs and trading centers throughout the country, to create a more dynamic system linking production and supply sources to end-users. It has also been envisaged that a national gas network would be developed that is similar in scope to the smart state power grid, where gas is supported by other energy sources and new technologies such as big data and artificial intelligence are deployed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Overview of the hydrogen energy market in the PRC

Hydrogen is a clean, versatile, and efficient form of energy and is the most abundant element on earth, making it practically an inexhaustible source of energy. It is expected to be one of the key elements in the path to the PRC's "net-zero" ambitions.

In March 2022, the National Development and Reform Commission of the PRC and the National Energy Administration of the PRC jointly released the country's first mid to long-term plan for implementing and developing hydrogen usage in the PRC, stretching until 2035. The PRC targets to bring 50,000 hydrogen fuel-cell vehicles on the road by 2025 and to build a number of hydrogen refuelling stations. The plan targets green hydrogen production using renewable feedstock resources to reach 100,000-200,000 tons per year by 2025. Besides transport, the plan envisages the use of clean hydrogen in other sectors such as energy storage, electricity generation and industry.

The central government in the PRC is expecting that, by 2025, renewable-based hydrogen could reduce the country's carbon emissions by one or two million tons every year, a reduction of 17-33% compared to the country's carbon emission 2020. Moreover, the PRC is rapidly developing its manufacturing capacity for hydrogen production. By 2030, the PRC expects to install 100 gigawatts capacity of electrolyzer to produce green hydrogen. As estimated by the China Hydrogen Alliance (the "CHA"), renewable-based hydrogen production could reach 100 million tons by 2060, accounting for 20 percent of projected final energy consumption.

In wake of the central government's call for carbon peak and carbon neutrality, more than 20 provincial governments have released a number of follow up plans with up to 200 incentive schemes supporting domestic hydrogen development. In 2022, 38 hydrogen energy industrial parks have already been set up across the country which has enabled the continuous expansion of the hydrogen energy industry and the gradual improvement of the industrial chain. During 2021, despite the PRC's strict pandemic control policies and economic downturn, the numbers of newly registered hydrogen-related companies surged to more than 2200, an 89% increase from the previous year.

The projected hydrogen demand in the PRC suggests strong growth in the upcoming years. The CHA forecasts that the PRC's hydrogen demand will increase from 20 million tons in 2022 to 35 million tons in 2030, making up around 5% of the projected total energy demand. By 2050, the figure will stand at 60 million tons, supporting 10% of the projected energy demand. It is also forecasted that, in 2060, hydrogen will still primarily be used in the industrial field, using around 60% of the total hydrogen demand. Moreover, it is expected that the transportation industry will use 31% of the total hydrogen energy, and construction and power sector will only use 9%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Master Sales Agreement (2022)

As stated in the Circular, the relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Sales Agreement (2022) in accordance with the principal terms set out therein. In particular, in case where products of the Group are sold to the CIMC Group for the purpose of enabling the latter to provide finance leases to the Sales Customers, separate tripartite contracts will be entered into among the Sales Customer, the relevant member(s) of the Group and of the CIMC Group, under which the relevant member(s) of the CIMC Group will covenant to pay for the products to be provided by the relevant member(s) of the Group.

(a) Reasons for and the benefits of the Master Sales Agreement (2022)

As stated in the Company's announcement dated 28 November 2022, the entering into of the Master Sales Agreement (2022) can help (i) maintain an additional source of revenue for the Group, and (ii) facilitates Sales Customers in obtaining financing from CIMC Group for their purchase of the Group's products.

Since the Group does not provide any finance leasing services, Sales Customers of the Group who may have difficulties in obtaining financing from independent commercial banks or financial institutions may require finance leasing services provided by the CIMC Group in purchasing the Group's products. Pursuant to the Master Sales Agreement (2022), the Group may refer Sales Customers to the CIMC Group to arrange such finance leases for Sales Customers to pay for the purchase of products. The Master Sales Agreement (2022) will thus enable the Group to retain customers who otherwise might not have the financial resources to purchase the Group's products and thereby increase the Group's revenue.

Based on the information provided by the Company, we set out below the revenue generated from the sales to the Sales Customers (who obtained financing from CIMC Group) and CIMC Group respectively under the Master Sales Agreement (2022) and the previous master sales agreement ("**Master Sales Agreement (2019)**") for the six months ended 30 June 2022 and 30 June 2023, the two years ended 31 December 2022 and the expected figures for the three years ended 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Year ended 31 December					Six months ended 30 June 2022	Six months ended 30 June 2023
	2021	2022	2023	2024	2025		
			(Expected)	(Expected)	(Expected)		
<i>RMB'000</i>							
Revenue from Sales Customers (who obtained financing from CIMC Group)	287,059.3	256,525.3	572,030.6	697,512.9	636,862.7	106,523.5	93,931.6
Revenue from CIMC Group	<u>30,836.2</u>	<u>37,280.4</u>	<u>203,562.6</u>	<u>356,198.9</u>	<u>493,295.2</u>	<u>12,716.3</u>	<u>51,772.9</u>
 Total	 <u>317,895.6</u>	 <u>293,805.7</u>	 <u>775,593.2</u>	 <u>1,053,711.8</u>	 <u>1,103,157.8</u>	 <u>119,239.8</u>	 <u>145,704.5</u>

Under the arrangement of the Master Sales Agreement (2022), the Group is able to sell the products to CIMC Group, and as well to Sales Customers who may have difficulties in obtaining financing from independent commercial banks or financial institutions. As seen from the above table, revenue from Sales Customers (who obtained financing from CIMC Group) represented approximately 90.3% and 87.3% of the revenue from the transactions under the Master Sales Agreement (2019) for the two years ended 31 December 2022. Such arrangement would enable the Group to sell the products with considerably low risk as the payment would be made directly from CIMC Group to the Group. As the Group may refer Sales Customers to the CIMC Group to arrange such finance leases for Sales Customers to pay for the purchase of products, the Directors believe that the Group would be able to retain these customers and thereby increase the Group's revenue, and accordingly the Directors believe that such arrangement is beneficial to the Group.

In addition, as advised by the Directors, transactions contemplated under the Master Sales Agreement (2022) for the six months ended 30 June 2023 have been carried out smoothly, and the Group has not experienced any material issues in carrying out the transactions in the past under the Master Sales Agreement (2019). Having considered the foregoing together with the reasons for and benefits of the Master Sales Agreement (2022) as stated above, in particular the fact that it maintains an additional source of revenue for the Company, we concur with the Directors that the entering into the Master Sales Agreement (2022) by the Company is in the ordinary and usual course of business of the Group and is in the interest of the Company and its Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Principal terms

(i) Parties:

The Company (as services provider) and CIMC (as service user)

The sale of the products by the Group to the CIMC Group is for the purposes of (i) enabling the CIMC Group to provide finance leases to the Sales Customers (who are customers of the Group that require finance leases to purchase the products and are referred by the Group to the CIMC Group for that purpose) and/or (ii) the CIMC Group's own manufacturing and business operations.

(ii) Products to be sold under the Master Sales Agreement (2022):

products for storage, transportation and processing in the fields of clean energy, chemical and environmental and liquid food, spare parts and raw materials for production, as well as components for construction projects (including but not limited to natural gas refueling stations and related equipment, natural gas refueling station trailers, CNG seamless pressure cylinders, CNG trailers, natural gas compressors, LNG trailers and tanks, on-vehicle LNG fuel tanks, cryogenic liquefied gas tanks, compressed specialized gas trailers, tank containers for chemical liquids, liquefied gas and cryogenic liquids, and stainless steel processing, storage tanks for liquid food, vehicle chassis, vehicle platforms, operating system, steel and waste and surplus materials).

(iii) Period:

Three years commencing on 1 January 2023 and expiring on 31 December 2025.

(iv) Pricing basis and policy:

As stated in the announcement of the Company dated 28 November 2022, the price of the products contemplated under the Master Sales Agreement (2022) will be determined in accordance with the estimated cost to be incurred in providing the relevant products (including the estimated cost of raw materials, depreciation of premises/building/equipment used in producing the products, the costs of labour, other incidental costs and the relevant taxes) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the Group when the same type of products are provided by the Group to the Independent Third Parties and the price offered by the Group's counterparts to their customers for the same type of products at or near the same area in the ordinary course of business and on normal commercial terms. As stated in the Circular, the Group maintains a minimum target gross profit margin for all products on the Product Price List (as defined in the Circular), which is equally applicable for sales to both the CIMC Group and Independent Third Parties when negotiating prices.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, other than the deposit arrangement, there is no material difference in the pricing basis and policy between (i) the transactions between the Group and CIMC Group, and (ii) transactions among the Group, Sales Customers (for those who need financing from CIMC Group) and the CIMC Group.

We have obtained and reviewed sample contracts for the sales of products by the Group to the CIMC Group under the Master Sales Agreement (2019) and the Master Sales Agreement (2022) for the three years ended 31 December 2022 and for the six months ended 30 June 2023. We have compared these contracts with contracts of similar sales for independent customers and note that the pricing terms for the transactions under the Master Sales Agreement (2022) were no less favourable to the pricing terms between the Group and the independent customers.

(v) Payment terms:

As stated in the announcement of the Company dated 28 November 2022, in relation to the sales of the Group's products to the CIMC Group for the purpose of its own manufacturing and business operations under the Master Sales Agreement (2022), the payment terms will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available to Independent Third Parties.

Regarding the sale of products to the CIMC Group for the purpose of enabling it to provide finance leases to the Sales Customers, within 10 business days following the entering into of a tripartite contract for each individual transaction among the Sales Customers, the relevant member(s) of the CIMC Group and of the Group, the Sales Customers will pay a deposit to the CIMC Group in accordance with the leasing arrangement between the Sales Customers and the CIMC Group. The consideration will be paid by the CIMC Group to the Group within 30 days from the date of acknowledgement of receipt of the products or passing of the inspection by the CIMC Group. Upon the entering into each tripartite individual contract in line with the usual terms of contracts between the Group and the Independent Third Parties, the Group will provide a one-year quality guarantee to the Sales Customer during which the Group will provide free repair and maintenance services to the Sales Customer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the management of the Group and reviewed the sample contracts under the Master Sales Agreement (2022) for (i) the sales of the Group's products to the CIMC Group for the purpose of its own manufacturing and business operations and (ii) the sale of products to the CIMC Group for the purpose of enabling it to provide finance leases to the Sales Customers. We consider that the pricing policy of the transactions contemplated under the aforesaid sample contracts are materially in line with the pricing policy under the Master Sales Agreement (2022).

Based on the above, we concur with the Directors (including the independent non-executive Directors) that the Sales Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Sales Transactions are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

(c) Revised Sales Annual Caps

The following table sets out the Existing Sales Annual Caps and the Revised Sales Annual Caps for the transactions contemplated under the Master Sales Agreement (2022) for each of the three years ending 31 December 2025:

	For the year ending 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Existing Sales Annual Caps	500,000	570,000	670,000
Revised Sales Annual Caps	776,000	1,054,000	1,181,000
% of increase over the Existing Sales Annual Caps	55.2%	84.9%	76.3%

As set out in the above table, the Revised Sales Annual Caps for the sale of products by the Group to the CIMC Group are RMB776 million, RMB1,054 million and RMB1,181 million for each of the three years ending 31 December 2025, respectively. The Revised Sales Annual Caps for the years ending 31 December 2023, 2024 and 2025 are proposed to be increased by approximately 55.2%, 84.9% and 76.3% over that of the Existing Sales Annual Cap for the respective years. The Revised Sales Annual Cap for the year ending 31 December 2024 represents an increase of approximately 35.8% over the Revised Sales Annual Cap for the year ending 31 December 2023; and the Revised Sales Annual Cap for the year ending 31 December 2025 represents an increase of approximately 12.0% over the Revised Sales Annual Cap for the year ending 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the percentage of the Existing Sales Annual Caps and the Revised Sales Annual Caps for the transactions contemplated under the Master Sales Agreement (2022) over the revenue of the Group for the year ended 31 December 2022 and for the six months ended 30 June 2023:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Sales Annual Caps	500,000	570,000	670,000
Revised Sales Annual Caps	776,000	1,054,000	1,181,000
% of Existing Sales Annual Caps over the revenue of the Group for the year ended 31 December 2022 (Note 1)	2.6	2.9	3.4
% of Revised Sales Annual Caps over the revenue of the Group for the year ended 31 December 2022 (Note 1)	4.0	5.4	6.0
% of Existing Sales Annual Caps over the revenue of the Group for the six months ended 30 June 2023 (Note 2)	4.6	5.3	6.2
% of Revised Sales Annual Caps over the revenue of the Group for the six months ended 30 June 2023 (Note 2)	7.2	9.8	11.0

Note:

- (1) The revenue of the Group for the year ended 31 December 2022 was RMB19,601.8 million.
- (2) The revenue of the Group for the six months ended 30 June 2023 was RMB10,756.5 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When assessing the reasonableness of the Revised Sales Annual Caps, we have taken into account the following factors:

- (i) *Historical transaction amounts under the Master Sales Agreement (2019) and the Master Sales Agreement (2022) and the respective annual caps*

Set out below are (i) the historical amounts of the transactions for the two years ended 31 December 2022 and for the six months ended 30 June 2023 under the Master Sales Agreement (2019) and the Master Sales Agreement (2022); (ii) the respective annual caps for each of the year and (iii) the respective utilisation of the annual caps:

	Year ended 31 December		Six months
	2021	2022	ended
	RMB'000	RMB'000	30 June 2023
			RMB'000
Sales Annual Caps	500,000	580,000	500,000*
Transaction amount	317,896	293,806	145,704
Utilisation of cap amount	63.6%	50.7%	29.1%*

* Representing the cap amount for the entire year ending 31 December 2023 and the rate of utilisation is calculated based on the cap amount of RMB500 million.

We note that the utilisation of cap amount for the two years ended 31 December 2022 were 63.6% and 50.7% respectively and for the six months ended 30 June 2023, the utilisation of the cap amount was about 29.1%.

Although the cap amount was not fully utilised for the past two years ended 31 December 2022 and for the six months ended 30 June 2023, the Sales Transactions amount is about 30% of the cap amount of 2023, we consider that such utilisation rate is reasonably acceptable as (i) it is a normal and reasonable practice for a listed company to add a sufficient buffer into a cap amount for a certain continuing connected transaction in order to accommodate the unexpected fluctuation in the annual growth of transaction volume; and more importantly (ii) the unexpected decrease of business activities due to the prolonged subsistence of Covid-19 during the two years of 2021 and 2022. Taking into account of the sales orders already received up to 30 June 2023 which are expected to be completed by 31 December 2023 and the expected business growth of the Group (details of which will be discussed in the following section), the Company expects that the sales amount to be achieved for the year ending 31 December 2023 will exceed the Existing Sales Annual Cap for the year ending 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *The basis and assumptions underlying in the projection of the Revised Sales Annual Caps as provided by the management of the Company*

As stated in the Letter from the Board of the Circular, the Revised Sales Annual Caps were determined with reference to the following:

- (A) actual sales transactions recorded for the six-month period ended 30 June 2023;
- (B) sales orders received up to 30 June 2023 which are expected to be completed by 31 December 2023;
- (C) estimated sales orders that are expected to be received and completed by 31 December 2023; and
- (D) estimated growth in demand for the Group's products in 2024 and 2025.

Based on the information provided by the Company, we note that actual sales transactions recorded under the Master Sales Agreement (2022) for the six-month period ended 30 June 2023 amounted to approximately RMB145.7 million which represents approximately 29.1% of the Existing Sales Annual Cap for the year ending 31 December 2023. In addition, the sales orders already received up to 30 June 2023 which are expected to be completed by 31 December 2023 and the orders under discussion for the second half of 2023 amounted to approximately RMB629.9 million which, adding up the actual amount of the Sales Transactions for the six months ended 30 June 2023 (altogether the “**Expected Sales Transactions 2023**”), represents approximately 155.1%, 136.0% and 115.8% over the Existing Sales Annual Caps for the years ending 31 December 2023, 2024 and 2025 respectively. Such increase of Sales Transaction was largely due to the recovery of the international trade and the increasing demand for the clean energy, both in the PRC and globally.

As stated in the Circular, the Company expects that the sales amount to be achieved for the year ending 31 December 2023 will exceed the Existing Sales Annual Cap for the year ending 31 December 2023. The overall sale of products and components for construction projects by members of the Group under the Master Sales Agreement (2022) has increased due to the increased demand for the Group's products, including by the CIMC Group for its own manufacturing use and by CIMC Finance Leasing Co., Ltd. for the provision of finance leases to customers of the Group in 2023. Besides the expected growth in the provision of finance leases to customers of the Group, a significant estimated growth in demand for the Group's products in 2024 and 2025 is attributable to the increase in demand by the CIMC Group for its own manufacturing use.

The Expected Sales Transactions 2023 represents approximately 99.9%, 73.6% and 65.7% of the Revised Sales Annual Caps for the years ending 31 December 2023, 2024 and 2025 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the sales under the Master Sales Agreement (2022) for the six months ended 30 June 2023, and the orders on hand received up to 30 June 2023 together with the orders under discussion for the second half of 2023 increased substantially, the Directors consider that it is highly likely that the sales amount to be achieved for the year ending 31 December 2023 under the Master Sales Agreement (2022) will exceed the Existing Sales Annual Cap for the year ending 31 December 2023.

In relation to the estimated growth in demand for the Group's products in 2024 and 2025, we have been advised by the management of the Company that such estimation was based on (i) products to be sold in 2024 and 2025 under contracts on hand and (ii) the Group's knowledge of its customers' and potential customers' future business development and thereby product demand through ongoing dealings and discussions. In particular, we have been informed by the management of the Company that the confirmed amount of contract sales attributable to one of the customers in 2024 and 2025 are RMB168.8 million and RMB253.3 million, respectively, and the estimated total amount of contract sales under discussion attributable to such customer in 2024 and 2025 is expected to be not less than RMB156.0 million. We have also been advised by the Company that, up to the Latest Practicable Date, the confirmed amount of contract sales attributable to such customer in 2023 is no less than RMB119.6 million.

In addition, based on the Company's estimate of the business growth for the two years ending 31 December 2025, we agree with the Directors that it is in the interest of the Company to revise the annual caps for the transactions contemplated under the Master Sales Agreement (2022).

Based on (i) the Expected Sales Transactions 2023 which represents 99.9%, 73.6% and 65.7% of the Revised Sales Annual Caps for the years ending 31 December 2023, 2024 and 2025 respectively, (ii) the potential increase in Sales Transactions as a result of the expected business growth for the three years ending 31 December 2025 as discussed above, (iii) the amount of contract sales attributable to one of the customers as discussed above, and (iv) the addition of a reasonable buffer on the annual caps, we consider that the Revised Sales Annual Caps are fair and reasonable and are in the interest in the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Internal control measures on the transactions contemplated under the Master Sales Agreement (2022)

To ensure that the terms of the continuing connected transactions contemplated under the Master Sales Agreement (2022) are on normal commercial terms, and on terms no less favourable to the Group than terms available to Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Sales Agreement (2022) and to ensure that the transactions are conducted in accordance with the terms thereof:

The Group's sales department maintains a price list of the Group's products (the "**Product Price List**"). The Product Price List is compiled based on (i) the estimated production cost (determined taking into account factors including the estimated cost of raw materials, depreciation of premises/building/equipment used in production, the labour cost, incidental production costs and the relevant taxes); and (ii) appropriate profit margin to be determined by the Group with reference to the profit margin obtained by the Group when the same type of products are provided by the Group to the Independent Third Parties and the price offered by the Group's counterparts to their customers for the same type of products at or near the same area in the ordinary course of business and on normal commercial terms. The Group maintains a minimum target gross profit margin for all products on the Product Price List, which is equally applicable for sales to both the CIMC Group and Independent Third Parties when negotiating prices.

Records of products supplied by the Group to all customers (i.e. including the CIMC Group and Independent Third Parties), which include information relating to identity of the customer, nature of the transaction and transaction amount will be maintained by the Group's sales department. The finance department of the Group will also keep detailed records of the actual production cost of products supplied by the Group to all customers (i.e. including the CIMC Group and Independent Third Parties) and the corresponding profit margin. The Group's sales department is also responsible for keeping track of the price offered by industry counterparts for similar type of products. The senior management of the Group will review and adjust the Product Price List from time to time with reference to such records, as well as prices offered by the Group's counterparts for the same type of products in the market (if any).

In addition, each member of the Group will report their respective transaction amounts and details as contemplated under the Master Sales Agreement (2022) at the end of each month to the Group's finance department. The Group's finance department will then on a monthly basis consolidate the transaction details and the total transaction amounts, so as to monitor the Group's total transaction amounts to ensure the proposed annual caps will not be exceeded.

We have obtained and reviewed samples of the Product Price List and the records of products supplied by the Group to customers during the terms of the Master Sales Agreement (2022). We consider the Group has applied the aforementioned internal control measures during the terms of the Master Sales Agreement (2022) and it is expected that the same will be applied during the Master Sales Agreement (2022). Therefore, we consider these internal control measures are effective to ensure that the transactions contemplated under the Master Sales Agreement (2022) are conducted in accordance with the pricing terms of the Master Sales Agreement (2022) and the Revised Sales Annual Caps are not exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. The Master Procurement Agreement (2022)

(a) Reasons for and the benefits of the Master Procurement Agreement (2022)

As stated in the Company's announcement dated 28 November 2022, the CIMC Group is a leading manufacturer of vehicle chassis and vehicle platform in the PRC and has been supplying the Group with quality vehicle chassis and vehicle platform on a timely basis and at good value. The transactions contemplated under the Master Procurement Agreement (2022) ensure the continuous supply of quality spare parts and/or raw materials to support the growth of the Group's business. In addition, the Group is able to enjoy handling and transportation cost savings as a result of close proximity of the production facilities and the CIMC Group.

As advised by the Company, the CIMC Group has been supplying the Group various spare parts and/or raw materials for its production since 2004. The management of the Company also confirmed that the Group has not experienced any material quality issue or shortage on the supply of spare parts and/or raw materials from the CIMC Group. As such, the CIMC Group is considered as a reliable and stable supplier for the Group in this regard.

In addition, as advised by the Directors, transactions contemplated under the Master Procurement Agreement (2022) for the six months ended 30 June 2023 have been carried out smoothly, and transactions in the past under the Master Procurement Agreement (2019) were carried out without any material issues, together with the reasons for and benefits of the Master Procurement Agreement (2022) as stated above, we concur with the Directors that the entering into the Master Procurement Agreement (2022) by the Company is in the ordinary and usual course of business of the Group and in the interest of the Company and its Independent Shareholders as a whole.

(b) Principal terms

(i) Parties:

The Company (as purchaser) and CIMC (as seller)

(ii) Subject matter:

Procurement of various spare parts, raw materials (including but not limited to vehicle chassis, vehicle platforms, operating system, containers and steel (inclusive of waste and surplus materials)) and/or components for construction projects by the Group from the CIMC Group.

The Group and the CIMC Group may purchase spare parts, raw materials and/or components for construction projects from or sell spare parts, raw materials and/or components for construction projects to third parties. If the terms and conditions proposed by such third parties are the same as those proposed by the Group or the CIMC Group, priority will be given to the sale of spare parts, raw materials and/or components for construction projects to or purchase of spare parts, raw materials and/or components for construction projects from the Group or the CIMC Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Period:

Three years commencing on 1 January 2023 and expiring on 31 December 2025.

(iv) Pricing basis and policy:

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Procurement Agreement (2022) in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available from Independent Third Parties.

The price of the spare parts, raw materials and/or components for construction projects contemplated under the Master Procurement Agreement (2022) will be determined in accordance with the following principles and orders:

- (A) the Government Determined Rate;
- (B) (where there is no Government Determined Rate) with reference to market price, being the price at which the same type of spare parts, raw materials and/or components for construction projects are provided by Independent Third Parties to the Group at or near the same area in the ordinary course of business and on normal commercial terms; or
- (C) (where there is no Government Determined Rate or relevant market price) the estimated cost incurred in providing the relevant spare parts, raw materials and/or components for construction projects (including costs of the raw materials, depreciation charges, the costs of labour and other production costs) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the CIMC Group when the same type of spare parts, raw materials and/or components for construction projects are provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms.

As stated in the announcement of the Company dated 28 November 2022, within 14 days from the entering into of an individual contract, 10% of the consideration will be paid by the Group as deposit and the balance will be paid within 3 months from receipt and satisfactory inspection of the spare parts, raw materials and/or components for construction projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board of the Circular, at present, there is no Government Determined Rate applicable to the spare parts, raw materials and/or components for construction projects covered under the Master Procurement Agreement (2022). To determine the price of relevant products, the Company will then make reference to the market price by obtaining quotations from Independent Third Parties. Given that the spare parts, raw materials and/or components for construction projects usually have specific requirements or technical specifications, quotations need to be obtained from comparable Independent Third Parties in terms of product quality, product specifications and geographical location etc. in order to provide a meaningful comparison for assessment by the finance and procurement departments. For each type of spare parts and raw materials covered under the Master Procurement Agreement (2022), an average of two to three quotations are obtained from Independent Third Parties.

We have obtained and reviewed sample contracts for the procurement of products by the Group from the CIMC Group under the Master Procurement Agreement (2019) and the Master Procurement Agreement (2022) for the three years ended 31 December 2022 and for the six months ended 30 June 2023. We then compared the price of the items under the sample contracts with those provided from independent suppliers and note that the pricing terms for the transactions under the Master Procurement Agreement (2022) were no less favourable to the pricing terms between the Group and the independent customers.

As advised by the management of the Company, quotations from different suppliers were obtained for the all the products procured under the Procurement Transactions for the three years ended 31 December 2022 and for the six months ended 30 June 2023 to ensure that market prices exist for those products.

Based on the above, we concur with the Directors (including the independent non-executive Directors) that the Procurement Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Procurement Transactions are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Revised Procurement Annual Caps

The following table sets out the Existing Procurement Annual Caps and the Revised Procurement Annual Caps for the transactions contemplated under the Master Procurement Agreement (2022) for each of the three years ending 31 December 2025:

	For the year ending 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Existing Procurement Annual Caps	590,000	640,000	700,000
Revised Procurement Annual Caps	686,000	819,000	903,000
% of increase over the Existing Procurement Annual Caps	16.3%	28.0%	29.0%

As set out in the above table, the Revised Procurement Annual Caps for the purchase of products by the Group from the CIMC Group are RMB686 million, RMB819 million and RMB903 million for each of the three years ending 31 December 2025, respectively. The Revised Procurement Annual Caps for the years ending 31 December 2023, 2024 and 2025 are proposed to be increased by approximately 16.3%, 28.0% and 29.0% over that of the Existing Procurement Annual Cap for the respective year. The Revised Procurement Annual Cap for the year ending 31 December 2024 represents an increase of approximately 19.4% over the Revised Procurement Annual Cap for the year ending 31 December 2023; and the Revised Procurement Annual Cap for the year ending 31 December 2025 represents an increase of approximately 10.3% over the Revised Procurement Annual Cap for the year ending 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the percentage of the Existing Procurement Annual Caps and the Revised Procurement Annual Caps for the transactions contemplated under the Master Procurement Agreement (2022) over the cost of sales of the Group for the ending 31 December 2022 and for the six months ended 30 June 2023:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Procurement Annual Caps	590,000	640,000	700,000
Revised Procurement Annual Caps	686,000	819,000	903,000
% of Existing Procurement Annual Caps over the cost of sales of the Group for the year ending 31 December 2022 (Note 1)	3.6	4.0	4.3
% of Revised Procurement Annual Caps over the cost of sales of the Group for the year ending 31 December 2022 (Note 1)	4.2	5.1	5.6
% of Existing Procurement Annual Caps over the cost of sales of the Group for the six months ended 30 June 2023 (Note 2)	6.6	7.1	7.8
% of Revised Procurement Annual Caps over the cost of sales of the Group for the six months ended 30 June 2023 (Note 2)	7.6	9.1	10.0

Note:

- (1) The cost of sales of the Group for the year ended 31 December 2022 was RMB16,200.3 million.
- (2) The cost of sales of the Group for the six months ended 30 June 2023 was RMB8,985.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When assessing the reasonableness of the Revised Procurement Annual Caps, we have taken into account the following factors:

- (i) *Historical transaction amounts under the Master Procurement Agreement (2019) and the Master Procurement Agreement (2022) and the respective annual caps*

Set out below are (i) the historical amounts of the transactions for the two years ended 31 December 2022 and for the six months ended 30 June 2023 under the Master Procurement Agreement (2019) and the Master Procurement Agreement (2022); (ii) the respective annual caps for each of the year and (iii) the respective utilisation of the annual caps:

	Year ended 31 December		Six months ended
	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Procurement Annual Caps	440,000	510,000	590,000*
Transaction amount	419,639	435,850	295,497
Utilisation of cap amount	95.4%	85.5%	50.1%*

* Representing the cap amount for the entire year ending 31 December 2023 and the rate of utilisation is calculated based on the cap amount of RMB590 million.

It is noted that the utilisation of cap amount for the two years ended 31 December 2022 were 95.4% and 85.5% respectively which is considered as very high utilisation rates.

For the six months ended 30 June 2023, the utilisation of the cap amount reached 50.1% which is also beyond the estimates of the Company during which when the cap amount was determined in November 2022. Based on the historical procurement trend, most of the transactions contemplated under the Master Procurement Agreement (2022) are incurred in the second half of the year, together with the expected continuing business growth of the Group in the year of 2023, the Company considers that it is likely that the transaction amount in relation to the Procurement Transactions for the year ending 31 December 2023 will exceed the original annual cap.

- (ii) *The basis and assumptions underlying in the projection of the Revised Procurement Annual Caps as provided by the management of the Company*

As stated in the Letter from the Board of the Circular, the Revised Procurement Annual Caps were determined with reference to the following:

- (A) actual Procurement Transactions recorded for the six-month period ended 30 June 2023;
- (B) procurement orders placed with the CIMC Group up to 30 June 2023 which are expected to be completed by 31 December 2023;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (C) estimated sales orders that are expected to be received which will require procurement by 31 December 2023; and
- (D) estimated growth in demand for the Group's products in 2024 and 2025 that will require procurement of spare parts, raw materials and components for construction projects from the CIMC Group.

Based on the information provided by the Company, we note that actual Procurement Transactions recorded under the Master Procurement Agreement (2022) for the six-month period ended 30 June 2023 amounted to RMB295.5 million which represents approximately 50.1% of the Existing Procurement Annual Cap for the year ending 31 December 2023. In addition, the procurement orders placed with the CIMC Group up to 30 June 2023 which are expected to be completed by 31 December 2023 together with the expected procurement orders to be placed by the Group with the CIMC Group during the second half of 2023 amounted to approximately RMB390.4 million which, adding up the actual amount of the Procurement Transactions for the six months ended 30 June 2023 (altogether the “**Expected Procurement Transactions 2023**”), represents 116.3%, 107.2% and 98.0% of the Existing Procurement Annual Caps for the years ending 31 December 2023, 2024 and 2025 respectively.

As stated in the Circular, the Company considered that the overall purchase of various spare parts and/or raw materials by members of the Group under the Master Procurement Agreement (2022) has increased due to the increased demand for the Group's products and the accelerated execution of the Group's EPC (engineering, procurement and construction) projects in 2023.

The Expected Procurement Transactions 2023 represents approximately 99.9%, 83.7% and 76.0% of the Revised Procurement Annual Caps for the years ending 31 December 2023, 2024 and 2025 respectively.

In relation to the estimated growth in procurement from the CIMC Group in 2024 and 2025, we have been advised by the management of the Company that certain parts and materials procured by the Group under the Procurement Transactions form part of the products to be sold by the Group (including those products sold under the Sales Transactions) and, as such, such estimation was based on (i) products to be purchased in 2024 and 2025 under contracts and (ii) actual and anticipated Sales Transactions in 2024 and 2025 as discussed above. In particular, we have been informed by the management of the Company that the Group will be planning to procure 600 units, 2,500 units and 2,600 units of trailer chassis under the Master Procurement Agreement (2022) in 2023, 2024 and 2025, respectively, and the amount under the aforesaid procurement for 2023, 2024 and 2025 is expected to be RMB60 million, RMB250 million and RMB260 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, the Directors consider that it is highly likely that the purchase amount to be generated for the year ending 31 December 2023 under the Master Procurement Agreement (2022) will exceed the Existing Procurement Annual Cap for the year ending 31 December 2023. In addition, based on the Company's estimate of the growth in procurement for the three years ending 31 December 2025, together with the addition of a reasonable buffer on the caps of the Procurement Transactions, we agree with the Directors that it is in the interest of the Company to revise the annual caps for the transactions contemplated under the Master Procurement Agreement (2022).

Based on (i) the Expected Procurement Transactions 2023 which represents 99.9%, 83.7% and 76.0% of the Revised Sales Annual Caps for the three years ending 31 December 2023, 2024 and 2025 respectively, (ii) the potential increase in Procurement Transactions as a result of the expected business growth for the three years ending 31 December 2025 as discussed above, (iii) the addition of a reasonable amount of buffer on the annual caps, we consider that the Revised Procurement Annual Caps are fair and reasonable and are in the interest in the Company and the Independent Shareholders as a whole.

(d) Internal control measures on the transactions contemplated under the Master Procurement Agreement (2022)

To ensure that the terms of the continuing connected transactions contemplated under the Master Procurement Agreement (2022) are on normal commercial terms, and on terms no less favourable to the Group than terms available from Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Procurement Agreement (2022) and to ensure that the transactions are conducted in accordance with the terms thereof.

The procurement department of the Group is primarily responsible for assessing the procurement plans. Prior to entering into any separate procurement contracts with the CIMC Group and upon receiving the quotation from the CIMC Group for the procurement, the procurement department will ascertain the relevant market price by obtaining quotations from Independent Third Parties for comparable volume of same or similar spare parts, raw materials and/or components for construction projects. The Group will obtain such quotations through direct enquiries from established suppliers of scale at or near the same area or tenders.

The finance and procurement departments will compare the quotations and terms supplied by the CIMC Group with those obtained from Independent Third Parties. The terms will be assessed based on the price, the quality, or other selection criteria (depending on the specific requirements, if any) of the spare parts, raw materials and/or components for construction projects. The two aforementioned departments will also consider the corporate background of the counterparty, its reputation and reliability, its ability to conduct the transaction in accordance with the terms of the contract, and at the same time reduce the Group's time and costs of transaction. The pricing terms will be reviewed by the finance department and approved by the senior management.

In case where there is no relevant market price, the finance department of the Group will compare the pricing terms supplied by the CIMC Group with reference to the estimated cost to be incurred in providing the relevant spare parts and/or raw materials (including costs of the raw materials, depreciation charges, the costs of labour and other production costs) plus a gross profit

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margin to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the CIMC Group when the same type of spare parts and/or raw materials are provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms. The finance department of the Group will obtain statistics from the CIMC Group to ascertain the relevant profit margin obtained by the CIMC Group as against the Independent Third Parties. The pricing terms will be sent to the senior management for approval.

In addition, each member of the Group will report their respective transaction amounts and details as contemplated under the Master Procurement Agreement (2022) at the end of each month to the Group's finance department. The Group's finance department will then on a monthly basis consolidate the transaction details and the total transaction amounts, so as to monitor the Group's total transaction amounts to ensure the proposed annual caps will not be exceeded.

We have obtained and reviewed samples of quotations from the CIMC Group and quotations from Independent Third Parties during the terms of the Master Procurement Agreement (2022). We consider the Group has applied the aforementioned internal control measures during the terms of the Master Procurement Agreement (2022) and it is expected that the same will be applied during the Master Procurement Agreement (2022). Therefore, we consider these internal control measures are effective to ensure that the transactions contemplated under the Master Procurement Agreement (2022) are conducted in accordance with the pricing terms of the Master Procurement Agreement (2022) and the Proposed Procurement Annual Caps are not exceeded.

6. Measures to ensure compliance with the Listing Rules

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Sales Transactions and the Procurement Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Sales Transactions and the Procurement Transactions every year and confirm in the annual report and accounts that the Sales Transactions and the Procurement Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the Company must engage its auditors to report on the Sales Transactions and the Procurement Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Sales Transactions and the Procurement Transactions:
- (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Sales Transactions and the Procurement Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Sales Transactions and the Procurement Transactions; and
 - (iv) have exceeded the Proposed Sales Annual Caps;
- (c) the Company must allow, and ensure that the counterparties to the Sales Transactions and the Procurement Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Sales Transactions and the Procurement Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Sales Transactions and the Procurement Transactions, in particular, (i) the restriction of the value of the Sales Transactions and the Procurement Transactions by way of the Revised Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and that the respective caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the Master Sales Agreement (2022) and the related Revised Sales Annual Caps and (ii) the terms of the Master Procurement Agreement (2022) and the related Revised Procurement Annual Caps are fair and reasonable, conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we also recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to (i) the Revised Sales Annual Caps and (ii) the Revised Procurement Annual Caps.

Yours faithfully,
for and on behalf of

AJ Corporate Finance Limited

Venus Choi
Managing Director

Felix Chan
Executive Director

Note:

Ms Venus Choi is a licensed person registered with the SFC and a responsible officer of AJ Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance industry.

Mr Felix Chan is a licensed person registered with the SFC and a responsible officer of AJ Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 10 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

(a) Long position

Name of Director	Capacity	No. of Shares held and interests in underlying Shares pursuant to share options and restricted share award scheme	% of issued share capital (Note)
Gao Xiang	Beneficial owner	2,300,000	0.113%
Yang Xiaohu	Beneficial owner	2,320,000	0.114%
Yu Yuqun	Beneficial owner	1,300,001	0.064%
Zeng Han	Beneficial owner	800,000	0.039%
Wang Yu	Beneficial owner	720,000	0.035%
Tsui Kei Pang	Beneficial owner	600,000	0.030%
Wang Caiyong	Beneficial owner	300,000	0.015%
Yang Lei	Beneficial owner	125,000	0.006%

Note: The percentages were calculated based on 2,028,277,588 Shares in issue as at the Latest Practicable Date.

(b) Long positions in the underlying Shares of equity derivatives of the Company

Share option scheme

Options were granted by the Company on 5 June 2014 under a share option scheme approved by the Shareholders on 12 July 2006.

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

Notes:

- (1) The percentages were calculated based on 2,028,277,588 Shares in issue as at the Latest Practicable Date.
- (2) Regarding the share options granted on 5 June 2014: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HK\$11.24 per Share.

Share award scheme

Shares were granted by the Company on 17 November 2021 and 3 April 2023 under the share aware scheme adopted by the Company on 3 April 2020.

Name of Director	Capacity	Subscription Price (HK\$)	Number of Shares granted but not vested pursuant to the share award scheme	Vesting period	% of issued share capital (Note 1)
Gao Xiang	Beneficiary of a trust	3.7	400,000	April 2022 to April 2024	0.02%
Yang Xiaohu	Beneficiary of a trust	3.7	400,000	April 2022 to April 2024	0.02%
Yu Yuqun	Beneficiary of a trust	3.7	266,667	April 2022 to April 2024	0.01%
Zeng Han	Beneficiary of a trust	3.7	200,000	April 2022 to April 2024	0.01%
Wang Yu	Beneficiary of a trust	3.7	200,000	April 2022 to April 2024	0.01%
Tsui Kei Pang	Beneficiary of a trust	3.7	100,000	April 2022 to April 2024	0.005%
Wang Caiyong	Beneficiary of a trust	3.7	100,000	April 2022 to April 2024	0.005%
Yang Lei	Beneficiary of a trust	3.7	100,000	April 2023 to April 2024	0.005%

Notes:

- (1) The percentages were calculated based on 2,028,277,588 Shares in issue as at the Latest Practicable Date.
- (2) Regarding the shares granted on 17 November 2021 and 3 April 2023: Subject to certain conditions as stated in the grant letter to the respective grantee, the remaining Shares will be vested by April 2024 pursuant to the terms and conditions of the share award scheme. The subscription price of all the Shares granted is HK\$3.7 per Share.

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

Associated corporations	Name of Director	Capacity	Number of Shares	% of the share capital (Note 3)
CIMC Safe Tech	Gao Xiang	Others ^(Note 1)	1,700,000	0.33%
	Yang Xiaohu	Others ^(Note 1)	11,152,000	2.19%
	Yu Yuqun	Others ^(Note 1)	680,000	0.13%
	Zeng Han	Others ^(Note 1)	680,000	0.13%
	Wang Yu	Others ^(Note 1)	680,000	0.13%
CIMC LPT	Gao Xiang	Others ^(Note 2)	4,333,238	0.59%
	Yang Xiaohu	Others ^(Note 2)	8,667,479	1.18%
	Zeng Han	Others ^(Note 2)	722,202	0.10%
	Wang Yu	Others ^(Note 2)	722,202	0.10%

Notes:

- (1) Each of Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Zeng Han and Mr. Wang Yu were interested in the share capital of CIMC Safeway Technologies Co., Ltd. (“**CIMC Safe Tech**”), an associated corporation of the Company, which was held by ESOP Platform 2 on each of their behalf pursuant to the Chemical and Environmental Business Unit Equity Incentive Scheme as constituted by the rules relating to it adopted by the Board and the board of directors of CIMC Safe Tech.
- (2) Each of Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Zeng Han and Mr. Wang Yu were interested in the share capital of CIMC Liquid Process Technologies Co., Ltd. (“**CIMC LPT**”), an associated corporation of the Company, which was held by ESOP Platform 3 on each of their behalf pursuant to the Liquid Food Business Unit Equity Incentive Scheme as constituted by the rules relating to it adopted by the Board and the board of directors of CIMC LPT.
- (3) For CIMC Safe Tech, the percentages were calculated based on the number of issued shares of CIMC Safe Tech as at the Latest Practicable Date, which was 510,000,000. For CIMC LPT, the percentages were calculated based on the number of issued shares of CIMC LPT as at the Latest Practicable Date, which was 737,160,026.

Save as disclosed above and so far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

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

As at the Latest Practicable Date, so far as was known to the Directors, the Directors who were also directors or employees of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Company	Name of Director	Position(s) held
CIMC	Gao Xiang	President
	Yu Yuqun	Vice president
	Zeng Han	Vice president and Chief Financial Officer
	Wang Yu	Assistant to the president

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' COMPETING INTERESTS

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

6. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS OF THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors 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 Company were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
AJ Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, AJ Corporate Finance did not have any shareholding, either directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, AJ Corporate Finance did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

AJ Corporate Finance has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.enricgroup.com/>) for display for a period of 14 days from the date of this circular:

- (a) the Master Sales Agreement (2022); and
- (b) the Master Procurement Agreement (2022).

10. MISCELLANEOUS

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of CIMC Enric Holdings Limited (the “Company”) will be held at Room 2102, 21/F, World Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Thursday, 19 October 2023 at 3 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 September 2023.

ORDINARY RESOLUTIONS

1. “**THAT**

the revised annual caps for the Sales Transactions contemplated under the Master Sales Agreement (2022) in the amounts of RMB776 million, RMB1,054 million and RMB1,181 million for the three years ending 31 December 2025 respectively (the “**Revised Sales Annual Caps**”), and the transactions contemplated thereunder be and are hereby approved; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Revised Sales Annual Caps.”

2. “**THAT**

the revised annual caps for the Procurement Transactions contemplated under the Master Procurement Agreement (2022) in the amounts of RMB686 million, RMB819 million and RMB903 million for the three years ending 31 December 2025 respectively (the “**Revised Procurement Annual Caps**”), and the transactions contemplated thereunder be and are hereby approved; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Revised Procurement Annual Caps.”

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

Hong Kong, 25 September 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM (or any adjournment thereof) if such member of the Company so desires, and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM (or any adjournment thereof), the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The register of members of the Company will be closed from Monday, 16 October 2023 to Thursday, 19 October 2023, both days inclusive, during which no transfer of shares of the Company will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 13 October 2023.
6. As at the date of this notice, the board of directors of the Company consists of Mr. Gao Xiang (Chairman) as a non-executive Director; Mr. Yang Xiaohu (President) as executive Director; Mr. Yu Yuqun, Mr. Zeng Han and Mr. Wang Yu as non-executive Directors; and Mr. Tsui Kei Pang, Mr. Wang Caiyong, Mr. Yang Lei and Ms. Wong Lai, Sarah as independent non-executive Directors.