

**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Titans Energy Technology Group Co., Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) and transferee(s). This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

**Tangshan Guokong Science and Technology  
Innovation Investment Group Co., Limited**

唐山國控科技創新投資集團有限公司

(Incorporated in Hong Kong with limited liability)



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2188)

**COMPOSITE DOCUMENT IN RELATION TO  
MANDATORY CONDITIONAL CASH OFFERS  
BY GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED FOR AND  
ON BEHALF OF TANGSHAN GUOKONG SCIENCE AND  
TECHNOLOGY INNOVATION INVESTMENT GROUP CO., LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED (OTHER  
THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
THE OFFEROR AND/OR THE PARTIES ACTING IN CONCERT WITH IT)  
AND FOR THE CANCELLATION OF ALL THE OUTSTANDING OPTIONS  
OF CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**

*Financial adviser to the Offeror*



**Guotai Junan Capital Limited**

*Independent Financial Adviser to the Independent Board Committee*

*Offer agent to the Offeror*



**Guotai Junan Securities (Hong Kong) Limited**



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Guotai Junan Capital containing, among other things, the details of the terms and conditions of the Offers is set out on pages 8 to 22 of this Composite Document. A letter from the Board is set out on pages 23 to 27 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Offer Shareholders and the Offer Optionholders is set out on pages 28 to 29 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 30 to 68 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out on pages I-1 to I-13 in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Forms of Acceptances of the Offers should be received by the Registrar or the company secretary of the Company (as the case may be) by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 14 June 2023 or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the sections headed "Overseas Shareholders and Overseas Optionholders" in the "Letter from Guotai Junan Capital" and Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due from such Overseas Shareholder or Overseas Optionholder in respect of such jurisdiction. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document is issued jointly by the Offeror and the Company. The English texts of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

This Composite Document will be assessable on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.titans.com.cn](http://www.titans.com.cn)).

# CONTENT

	<i>Page</i>
EXPECTED TIMETABLE .....	ii
DEFINITIONS .....	1
IMPORTANT NOTICES .....	7
LETTER FROM GUOTAI JUNAN CAPITAL .....	8
LETTER FROM THE BOARD .....	23
LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....	28
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER .....	30
APPENDIX I - FURTHER TERMS OF ACCEPTANCE OF THE OFFERS .....	I-1
APPENDIX II - FINANCIAL INFORMATION OF THE GROUP .....	II-1
APPENDIX III - GENERAL INFORMATION IN RELATION TO THE OFFEROR .....	III-1
APPENDIX IV - GENERAL INFORMATION IN RELATION TO THE COMPANY .....	IV-1
ACCOMPANYING DOCUMENTS - FORMS OF ACCEPTANCE	

## EXPECTED TIMETABLE

*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company by way of announcements as soon as possible. Unless otherwise specified, all time and date references contained in this Composite Document and the accompanying Form(s) of Acceptance refer to Hong Kong time and dates.*

<b>Event</b>	<b>Date</b>
Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement of the Offers ( <i>Note 1</i> ) . . . . .	24 May 2023
Offers open for acceptance ( <i>Note 1</i> ) . . . . .	24 May 2023
First Closing Date ( <i>Note 2</i> ) . . . . .	14 June 2023
Latest time and date for acceptance of the Offers on the first Closing Date ( <i>Notes 3 and 6</i> ) . . . . .	4:00 p.m. on 14 June 2023
Announcement of the results of the Offers as at the first Closing Date to be posted on the website of the Stock Exchange . . . . .	by 7:00 p.m. on 14 June 2023
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offers at or before 4:00 p.m. on the first Closing Date (assuming the Offers become or are declared unconditional on the first Closing Date) ( <i>Notes 4 and 6</i> ) . . . . .	26 June 2023
Latest time and date for the Offers remaining open for acceptance on the final Closing Date (assuming the Offers become or are declared unconditional on the first Closing Date) ( <i>Notes 3 and 6</i> ) . . . . .	4:00 p.m. on 28 June 2023
Announcement of the results of the Offers as at the final Closing Date to be posted on the website of the Stock Exchange . . . . .	by 7:00 p.m. on 28 June 2023
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offers on or before 4:00 p.m. on the final Closing Date (assuming the Offers become or are declared unconditional in all respects on the first Closing Date) ( <i>Notes 4 and 6</i> ) . . . . .	7 July 2023
Latest time and date by which the Offers can become or be declared unconditional as to acceptances ( <i>Note 7</i> ) . . . . .	by 7:00 p.m. on 24 July 2023

## EXPECTED TIMETABLE

*Notes:*

1. The Offers, which are conditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
2. The Offers will initially remain open for acceptances until 4:00 p.m. on 14 June 2023 unless the Offeror extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). In accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on 14 June 2023 stating either the next Closing Date or that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offers closed to Offer Shareholders and Offer Optionholders who have not accepted the Offers.
3. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Acceptances of the Offers are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed "VII. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.

4. Subject to the Offers becoming unconditional, payment of the consideration (after deducting the seller's ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Share Offer will be made in cheque to the Offer Shareholders (to the address specified on the **WHITE** Form of Share Offer Acceptance) accepting the Offers by ordinary post at his/her/its own risk, and payment of the consideration for the Options surrendered for cancellation under the Option Offer will be made to the Company as the agent of the Offer Optionholders, by cheque(s) drawn in the name of the Company, or at the election of the Offeror, by wire transfer to the bank account of the Company. The Company will transfer any payment received to the respective Offer Optionholders by issue of cheque (to the address specified on the **PINK** Form of Option Offer Acceptance) or wire transfer. Payment to Offer Shareholders by the Offeror and payment to Offer Optionholders by the Company will be made as soon as possible, but in any event within seven (7) business days following later of (i) the date on which the Offers become, or are declared, unconditional and (ii) the date of receipt by the Registrar (in the case of the Share Offer) and/or the company secretary of the Company (in the case of Option Offer) of the duly completed Form(s) of Acceptance together with all relevant documents required to render such acceptance under the Offers complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
5. In any event, in accordance with the Takeovers Code, when the Offers become or are declared unconditional in all respects, at least 14 days' notice in writing must be given before the Offers closed to those Offer Shareholders and Offer Optionholders who have not accepted the Offers. The Offeror has the right, subject to the Takeover Code, to extend the Offers until such date as it may determine or as permitted by the Executive.
6. If there is a tropical cyclone warning signal number 8 or above or "extreme conditions" caused by super typhoon or a black rainstorm warning:
  - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will remain at 4:00 p.m. on the same business day and the latest date for posting of remittances will also remain on the same business day; or

## EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the latest date for posting of remittances will also be next following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
- 7. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the sixtieth (60<sup>th</sup>) day after the day this Composite Document is posted, which is 24 May 2023. Accordingly, unless the Offers have previously become unconditional as to acceptances, the Offers will lapse on 24 July 2023 unless extended with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offers can become or declared unconditional as to acceptance is 24 July 2023.

## DEFINITIONS

*In this Composite Document, unless the context otherwise requires. The following terms shall have the following meanings:*

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code;
“associate”	has the same meaning ascribed to it in the Takeovers Code;
“Board”	means the board of Directors;
“business day”	means a day on which the Stock Exchange is open for the transaction of business;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Closing Date”	means 14 June 2023, being the first closing date of the Offers as stated in the section headed “Expected Timetable” in this Composite Document, which is 21 calendar days after the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date of the Offers as extended and jointly announced by the Offeror and the Company in accordance with the Takeovers Code;
“Company”	means China Titans Energy Technology Group Co., Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2188);
“Completion”	means completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement;
“Composite Document”	means this composite offer and response document jointly issued by the Offeror and the Company to all the Offer Shareholders and the Offer Optionholders in accordance with the Takeovers Code, setting out, among others, details of the Offers;

## DEFINITIONS

“Controlling Shareholder Group”	means the group of controlling Shareholders of the Company which consists of (1) Genius Mind Enterprises Limited and its sole beneficial owner Mr. Li Xin Qing; (2) Great Passion International Limited and its sole beneficial owner Mr. An Wei; (3) Rich Talent Management Limited which is beneficially owned by Mr. Li Xin Qing and Mr. An Wei; and (4) Honor Boom Investments Limited and its beneficial owners Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian
“Director(s)”	means director(s) of the Company;
“EGM”	means the extraordinary general meeting convened on 12 December 2022 by the Company approving, among others, the Subscription;
“Encumbrance(s)”	means all pledges, charges, liens, mortgages, security interests, preemption rights, options, equities, power of sale, hypothecations, retentions of title, rights of first refusal and any other encumbrances or third party rights or claims of any kind or any obligation to create any of the foregoing;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of the Executive Director;
“Form(s) of Acceptance”	means the <b>WHITE</b> Form of Share Offer Acceptance and the <b>PINK</b> Form of Option Offer Acceptance, and “Form of Acceptance” means either of them;
“Group”	means the Company and its subsidiaries from time to time;
“Guotai Junan Capital”	means Guotai Junan Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offers;
“Guotai Junan Securities”	means Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror;

## DEFINITIONS

“HKD or HK\$”	means Hong Kong Dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means an independent committee of the Board comprising all three independent non-executive Directors, namely namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng established for the purpose of providing recommendations in respect of the Offers, in particular as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code;
“Independent Financial Adviser” or “China Sunrise”	means China Sunrise Capital Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed for the purpose of advising the Independent Board Committee in respect of whether the Offers are fair and reasonable and as to acceptance;
“Irrevocable Undertaking(s)”	means the irrevocable undertakings dated 11 May 2023 given by certain members of the Controlling Shareholder Group, namely, (1) Mr. Li Xin Qing, (2) Mr. An Wei, (3) Rich Talent Management Limited, (4) Genius Mind Enterprises Limited, (5) Great Passion International Limited and (6) Honor Boom Investments Limited, in respect of a total of 476,652,449 Shares and 1,200,000 Options, in favour of the Offeror that he/she/it will, <i>inter alia</i> , not accept the Offers, not exercise the Options held (where applicable) and assist to maintain the public float of the Company;
“Last Trading Day”	means 18 October 2022, being the last trading day of the Shares on the Stock Exchange before the publication of the Subscription Announcement;
“Latest Practicable Date”	means 19 May 2023, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;



## DEFINITIONS

“Offers”	means the Share Offer and the Option Offer collectively;
“Offer Option(s)”	means all and any of the Options that are subject to the Option Offer;
“Offer Optionholder(s)”	means Optionholder(s), other than the Offeror and the parties acting in concert with it;
“Offer Period”	means the period from 18 October 2022, being the date of the Subscription Announcement, to the Closing Date;
“Offer Share(s)”	means any and all the Shares that are subject to the Share Offer;
“Offer Shareholder(s)”	means Shareholder(s), other than the Offeror and parties acting in concert with it;
“Offeror”	means Tangshan Guokong Science and Technology Innovation Investment Group Co., Limited (唐山國控科技創新投資集團有限公司), a company incorporated in Hong Kong with limited liability which is wholly owned by Tangshan Guokong and has been nominated by Tangshan Guokong to subscribe for the Subscription Shares and act as the offeror in the Offers;
“Option(s)”	means outstanding share options granted by the Company pursuant to the Share Option Scheme;
“Option Offer”	means the mandatory conditional cash offer made by Guotai Junan Securities, for and on behalf of the Offeror, for the cancellation of all the Offer Options in accordance with the Takeovers Code;
“Option Offer Price”	means the price at which the Option Offer is made, being HK\$0.0001 per Offer Option;
“Optionholder(s)”	means holders of Option(s);
“Overseas Optionholder(s)”	means Offer Optionholder(s) whose address(es), as shown on the register of Optionholders of the Company, is/are outside Hong Kong;

## DEFINITIONS

“Overseas Shareholder(s)”	means Offer Shareholder(s) whose address(es), as shown on the register of members of the Company, is or are outside Hong Kong;
“PINK Form of Option Offer Acceptance”	means the PINK form of acceptance in respect of the Option Offer accompanying this Composite Document;
“PRC”	means the People’s Republic of China, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Registrar”	means Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company;
“Relevant Period”	means the period from 18 April 2022, being the date falling six months prior to 18 October 2022 (the date of the commencement of the Offer Period) and ending on and including the Latest Practicable Date;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Rule 3.5 Announcement”	means the joint announcement dated 11 May 2023 issued jointly by the Offeror and the Company in relation to, among others, the Offers;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Share Offer”	means the mandatory conditional cash offer made by Guotai Junan Securities, for and on behalf of the Offeror, to acquire all the issued Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it in accordance with the Takeovers Code;
“Share Offer Price”	means the price at which the Share Offer is made, being HK\$0.34 per Offer Share;

## DEFINITIONS

“Share Option Scheme”	means the share option scheme adopted by the Company on 18 December 2020, as amended from time to time;
“Shareholder(s)”	means holder(s) of the Share(s);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription”	means the subscription of the Subscription Shares by the Offeror on the terms and subject to the conditions of the Subscription Agreement;
“Subscription Agreement”	means the subscription agreement dated 18 October 2022 entered into between Tangshan Guokong and the Company in respect of the Subscription;
“Subscription Announcement”	means the announcement made by the Company dated 18 October 2022 in relation to, among others, the Subscription;
“Subscription Price”	HK\$0.34 per Subscription Share;
“Subscription Shares”	means the 566,970,000 new Shares subscribed by the Offeror on the terms and subject to the conditions of the Subscription Agreement;
“Takeovers Code”	means the Code on Takeovers and Mergers;
“Tangshan Guokong”	means 唐山國控科創有限公司 (Tangshan Guokong Science and Technology Limited*), a company established in the PRC with limited liability which wholly-owns the Offeror;
“WHITE Form of Share Offer Acceptance”	means the WHITE form of acceptance and transfer in respect of the Share Offer accompanying this Composite Document;
“Whitewash Waiver”	means the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Tangshan Guokong to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Tangshan Guokong and any parties acting in concert with it arising as a result of Tangshan Guokong subscribing for the Subscription Shares under the Subscription Agreement;
“%”	means per cent.

\* For identification purpose only

## IMPORTANT NOTICES

### **NOTICE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

The making of (i) the Share Offer to Offer Shareholders; and (ii) the Option Offer to Offer Optionholders, who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Overseas Shareholders and Overseas Optionholders may be prohibited or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such Overseas Shareholder who wishes to accept the Share Offer and each such Overseas Optionholder who wishes to accept the Option Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Overseas Shareholder or Overseas Optionholder in such relevant jurisdictions.

Any acceptance by such Overseas Shareholders or Overseas Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror, and their respective advisers, including the financial adviser, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

For further discussion, please refer to the sections headed “Overseas Shareholders and Overseas Optionholders” in the letter from Guotai Junan Capital as set out on page 8 to page 22 of and Appendix I to this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations, including the Takeovers Code.

# LETTER FROM GUOTAI JUNAN CAPITAL



27/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Central, Hong Kong

24 May 2023

*To the Offer Shareholders and Offer Optionholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS  
BY GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED FOR AND  
ON BEHALF OF TANGSHAN GUOKONG SCIENCE AND  
TECHNOLOGY INNOVATION INVESTMENT GROUP CO., LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY AND/OR AGREED TO  
BE ACQUIRED BY TANGSHAN GUOKONG SCIENCE AND  
TECHNOLOGY INNOVATION INVESTMENT GROUP CO., LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT) AND  
FOR THE CANCELLATION OF ALL THE OUTSTANDING OPTIONS OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**

## INTRODUCTION

References are made to the (i) Rule 3.5 Announcement jointly issued by the Company and the Offeror on 11 May 2023 in relation to the Subscription Agreement and the mandatory conditional cash offers pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, (ii) the circular of the Company dated 18 November 2022 and the announcements of the Company dated 18 October 2022 and 12 December 2022 in relation to, among other things, the Subscription Agreement entered into between the Company and the Offeror and the possible mandatory general offer pursuant to Rule 3.7 of the Takeovers Code, and (iii) the announcements of the Company dated 12 January 2023, 10 February 2023, 10 March 2023, 31 March 2023 and 28 April 2023 in relation to monthly update pursuant to Rule 3.7 of the Takeovers Code and extension of long stop date.

As mentioned in the Rule 3.5 Announcement, Tangshan Guokong and the Company entered into the Subscription Agreement on 18 October 2022 (after trading hours), pursuant to which the Company conditionally agreed to allot and issue, and Tangshan Guokong conditionally agreed to subscribe for 566,970,000 Subscription Shares at the Subscription Price of HK\$0.34 per Subscription Share and at an aggregate Subscription Price of HK\$192,769,800. The 566,970,000 Subscription Shares represent approximately (i) 61.29% of the issued share capital of the Company as at the date of the Rule 3.5 Announcement and (ii) 38.00% of the enlarged issued share capital of the Company upon Completion which took place on the date of the Rule 3.5 Announcement. The aggregate consideration of Subscription Shares was paid in cash to the Company upon Completion. Immediately following the Completion and as at the Latest Practicable Date, the Company was owned as to 38.00% by the Offeror.

## LETTER FROM GUOTAI JUNAN CAPITAL

Pursuant to the Subscription Agreement, Completion was subject to the fulfillment or waiver of certain conditions precedent, including but not limited to, the approval of the Whitewash Waiver at a duly convened extraordinary general meeting of the Company. As stated in the announcement of the Company dated 12 December 2022, while the resolution relating to the Subscription was passed, the resolution relating to the Whitewash Waiver was not passed at the extraordinary general meeting of the Company held on 12 December 2022.

On 11 May 2023, the Offeror issued to the Company a notice in writing to waive the conditions precedent requiring the passing of the necessary resolution at a duly convened extraordinary general meeting to approve the Whitewash Waiver by special resolution and the satisfaction of all conditions attached to the Whitewash Waiver granted by the Executive, being conditions precedent (c) and (d) of the Subscription Agreement, as set out in the circular of the Company dated 18 November 2022, such that Completion shall no longer be conditional on the fulfilment of these conditions precedent.

Following the waiver of the aforementioned conditions precedent, all conditions precedent of the Subscription Agreement were fulfilled or waived (as the case may be) and Completion took place on 11 May 2023 as agreed in writing by Tangshan Guokong and the Company, and the Offeror paid the total consideration of the Subscription to the Company on the same date.

Upon Completion, 566,970,000 Shares were issued and allotted to the Offeror pursuant to the Subscription Agreement, representing 38.00% of the total issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

As at the Latest Practicable Date, the Company had (i) a total of 1,492,026,000 Shares in issue; and (ii) 66,260,000 Options, which may be exercised for an issue of 36,060,000 new Shares at a price of HK\$0.445 per Option and 30,200,000 new Shares at a price of HK\$0.343 per Option by the relevant Optionholders. Mr. Li Xin Qing and Mr. An Wei who in aggregate hold 1,200,000 Options have given the Irrevocable Undertakings not to exercise the Options before the close of the Offers. Save as disclosed above, the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and the parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make an appropriate cash offer to the Offer Optionholders to cancel all the Offer Options.

This letter forms part of this Composite Document and sets out, amongst other things, the details of the Offers, certain information on the Offeror, and the intention of the Offeror on the Group. Further terms of the Offers and the procedures for acceptances of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

## LETTER FROM GUOTAI JUNAN CAPITAL

Offer Shareholders and Offer Optionholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

### INFORMATION OF THE OFFERS

Guotai Junan Securities makes the Offers on behalf of the Offeror, subject to the terms set out in this Composite Document and in the Forms of Acceptance, on the following basis:

#### The Share Offer

**For each Offer Share . . . . . HK\$0.34 in cash**

The Share Offer Price of HK\$0.34 is equal to the Subscription Price of the Subscription Shares under the Subscription Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and clear of any Encumbrances and together with all rights and interests attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. The Company has no intention to make any distribution or declare dividends before the close of the Offers. As at the Latest Practicable Date, the Company had no outstanding dividends which had not been paid.

**The Offeror will not increase the Share Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Share Offer Price and the Offeror does not reserve the right to increase the Share Offer Price.**

#### Comparisons of value

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

- (i) a premium of approximately 3.03% over the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 4.62% over the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the last trading day of the Shares on the Stock Exchange before the publication of the Rule 3.5 Announcement;
- (iii) a premium of approximately 3.03% over the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on 18 October 2022, being the Last Trading Day;

## LETTER FROM GUOTAI JUNAN CAPITAL

- (iv) a premium of approximately 7.94% over the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on 17 October 2022, being the date of the last trading day prior to the date of the Subscription Agreement;
- (v) a premium of approximately 5.92% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.321 per Share;
- (vi) a premium of approximately 4.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.325 per Share;
- (vii) a premium of approximately 2.32% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the one hundred and eighty (180) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.3323 per Share;
- (viii) a discount of approximately 42.79% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.5943 per Share as at 31 December 2022, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB491,050,000 (equivalent to approximately HK\$549,721,809, based on the exchange rate of HK\$1:RMB0.89327, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purpose) as at 31 December 2022 and 925,056,000 Shares in issue immediately before Completion which took place on the date of the Rule 3.5 Announcement;
- (ix) a discount of approximately 7.72% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.3684 per Share as at 31 December 2022, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB491,050,000 (equivalent to approximately HK\$549,721,809, based on the exchange rate of HK\$1:RMB0.89327, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purpose) as at 31 December 2022 and 1,492,026,000 Shares in issue on the Latest Practicable Date; and
- (x) a discount of approximately 31.26% to the adjusted audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.4946 per Share, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB491,050,000 (equivalent to approximately HK\$549,721,809, based on the exchange rate of HK\$1:RMB0.89327, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purpose) as at 31 December 2022 adjusted for the net proceeds received by the Company upon the Completion of approximately HK\$188.29 million and 1,492,026,000 Shares in issue immediately after Completion which took place on 11 May 2023, being the date of the Rule 3.5 Announcement and as at the Latest Practicable Date.



## LETTER FROM GUOTAI JUNAN CAPITAL

### The Option Offer

**For the cancellation of each of Offer Options . . . . . HK\$0.0001 in cash**

Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Options and the Share Offer Price. As the outstanding Options have an exercise price of HK\$0.445 and HK\$0.343 per Option, which is above the Share Offer Price of HK\$0.34, and are therefore out-of-the-money, the Option Offer Price for the cancellation of each of the Offer Options is set at a nominal cash amount of HK\$0.0001.

### Conditions to the Offers

The Share Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company. The Option Offer is conditional on the Share Offer becoming or being declared unconditional in all respects.

Further announcement(s) in relation to the revision, extension or lapse of the Offers or the fulfillment of the conditions of the Offers shall be made in accordance with the Takeovers Code and Listing Rules in due course.

### Highest and lowest Closing prices of the Share

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during Relevant Period were HK\$0.355 per Share on 26 April 2022 and 23 June 2022 and HK\$0.26 per Share (on 22 September 2022), respectively.

### Irrevocable Undertakings

On 11 May 2023, certain members of the Controlling Shareholder Group, namely, (1) Mr. Li Xin Qing, who held 200,000 Shares and 600,000 Options granted to him by the Company on 23 July 2021; (2) Mr. An Wei, who held 400,000 Shares and 600,000 Options granted to him by the Company on 23 July 2021; (3) Rich Talent Management Limited, which held 7,985,418 Shares; (4) Genius Mind Enterprises Limited, which held 197,724,457 Shares; (5) Great Passion International Limited, which held 187,884,457 Shares; and, (6) Honor Boom Investments Limited, which held 82,458,117 Shares as at 11 May 2023, gave the Irrevocable Undertakings in favour of the Offeror. A total of 476,652,449 Shares and 1,200,000 Options are therefore subject to the Irrevocable Undertakings.

Pursuant to the Irrevocable Undertakings, each of the Irrevocable Undertakings provider has undertaken that he/she/it shall (1) not accept the Offers in respect of the Shares and/or Options that he/she/it is on the date of the Irrevocable Undertakings, or he/she/it may become after the date of the Irrevocable Undertakings, the registered holder or beneficial owner; (2) in respect of each of Mr. Li Xin Qing and Mr. An Wei, not exercise the 600,000 Options granted to each of them by the Company on 23 July 2021

## LETTER FROM GUOTAI JUNAN CAPITAL

before the close of the Offers; (3) continue to be interested in the Shares and Options (in respect of Mr. Li Xin Qing and Mr. An Wei) that he/she/it is on the date of the Irrevocable Undertakings, or he/she/it may become after the date of the Irrevocable Undertakings, the registered holder or beneficial owner of, and shall not prior to the completion of the Offers, sell, transfer, dispose of, charge or pledge such Shares and/or Options (in respect of Mr. Li Xin Qing and Mr. An Wei); (4) at the request of the Offeror, he/she/it will dispose of a sufficient number of Shares to ensure that the public float of the issued Shares as enlarged by the Subscription is not less than 25% after the close of the Offers, provided that the Offeror will not, and will procure parties acting in concert with it not to, purchase any Shares (whether such Shares are purchased from the Controlling Shareholder Group or not) within six (6) months of the closing of the Share Offer; and (5) he/she/it confirms that he/she/it does not have any special voting arrangements in respect of the Shares that have not been disclosed to the Offeror, including but not limited to any special arrangement of concert party, voting entrustment etc.

The Irrevocable Undertakings shall terminate immediately if the Offers are not made in accordance with the requirements under the Takeovers Code in all material respects or the Offers close, lapse or are withdrawn.

### VALUE OF THE OFFERS

Immediately before Completion which took place on the Latest Practicable Date, there were 925,056,000 Shares in issue. On the basis of the Share Offer Price of HK\$0.34 per Share, the entire issued ordinary share capital of the Company would be valued at HK\$314,519,040. Immediately after Completion which took place on the Latest Practicable Date, there are 1,492,026,000 Shares in issue. On the basis of the Share Offer Price of HK\$0.34 per Share, the entire issued ordinary share capital of the Company would be valued at HK\$507,288,840.

As at the Latest Practicable Date, under the Share Option Scheme, there are 66,260,000 Options outstanding, of which 54,240,000 Options are currently not yet vested and/or exercisable, and will automatically be vested and exercisable if the Share Offer becomes unconditional. The outstanding Options have exercise prices of HK\$0.343 and HK\$0.445 per Option, which are prices above the Share Offer Price of HK\$0.34. Mr. Li Xin Qing and Mr. An Wei who in aggregate hold 1,200,000 Options have given the Irrevocable Undertakings not to exercise the Options before the close of the Offers and not to accept the Option Offer.

Assuming that there is no change in the issued share capital of the Company and excluding the 566,970,000 Shares held by the Offeror after Completion, 925,056,000 Shares (including the 476,652,449 Shares subject to Irrevocable Undertakings) could be subject to the Share Offer and 66,260,000 Options (including the 1,200,000 Options subject to the Irrevocable Undertakings) could be subject to the Option Offer. In the case that the Share Offer and the Option Offer are accepted in full: (i) the maximum consideration payable by the Offeror for the Share Offer is valued at approximately HK\$314,519,040; and (ii) the maximum consideration payable by the Offeror for the cancellation of all Options under the Option Offer is valued at HK\$6,626. The aggregate value of the Offers is approximately HK\$314,525,666.

## LETTER FROM GUOTAI JUNAN CAPITAL

### CONFIRMATION OF FINANCIAL RESOURCES SUFFICIENCY

The Offeror intends to finance the consideration payable under the Offers with its own financial resources.

Guotai Junan Capital Limited, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the amount required for (i) the full acceptance of the Share Offer involving 448,403,551 Shares (excluding the 476,652,449 Shares subject to Irrevocable Undertakings) i.e. approximately HK\$152,457,208 and (ii) the maximum consideration payable by the Offeror for the cancellation of 65,060,000 Options (excluding the 1,200,000 Options subject to the Irrevocable Undertakings) i.e. approximately HK\$6,506, which in aggregate amounts to approximately HK\$152,463,714.

### EFFECTS OF ACCEPTING THE OFFERS

Acceptance of the Share Offer by any Offer Shareholders will constitute a warranty by such person that all Offer Shares to be sold by such person under the Share Offer are fully paid and free and clear of all Encumbrances whatsoever together with all rights and interests attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of the Composite Document.

By validly accepting the Option Offer, the Offer Options tendered by the Offer Optionholders will be cancelled, together with all rights and interests attaching thereto.

Pursuant to the Share Option Scheme, after the Offers become or are declared unconditional, Optionholders shall, notwithstanding any other terms on which the Options were granted, be entitled to exercise the Option at any time thereafter and up to the close of the Offers. If the Options are not exercised during the period aforesaid, the Options will lapse automatically (to the extent not exercised) upon the close of the Offers.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### HONG KONG STAMP DUTY

Offer Shareholders' Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer at a rate of 0.13% of the consideration payable in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Share Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Offer Shareholders who accepted the Share Offer. The Offeror will bear the Offeror's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.

## LETTER FROM GUOTAI JUNAN CAPITAL

### PAYMENT

Subject to the Offers having become, or have been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the later of the date of receipt of a duly completed acceptance of the Offers, or the date on which the Offers become or are declared unconditional in all aspects.

Relevant documents evidencing title must be received by the Offeror (or its agent) to render such acceptance of the Offers complete and valid. The latest time on which the Offeror can declare the Offers unconditional as to acceptances is 7:00 p.m. on the 60th day after the despatch of the Composite Document (or such later date to which the Executive may consent). If the Offers are withdrawn or lapse, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event within ten (10) days thereof, post the Share certificates and Option certificates (if applicable) lodged with the Forms of Acceptance and transfer to, or make such Share certificates and Option certificates (if applicable) available for collection by, those Offer Shareholders and Offer Optionholders who have accepted the Offers.

No fractions of a cent will be payable and the amount of the consideration payable to an Offer Shareholder or an Offer Optionholder who accepts the Offers will be rounded up to the nearest cent.

### TAXATION ADVICE

Offer Shareholders and Offer Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Company, the Offeror or parties acting in concert with it or any of their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not tendered for acceptance under the Offers.

### SHAREHOLDINGS AND DEALING IN SECURITIES OF THE COMPANY

Your attention is drawn to the section headed "II. Disclosure of interests and dealings as required by the Takeovers Code" of Appendix III to this Composite Document. Save as disclosed in that section, as at the Latest Practicable Date, there are no other shareholdings in the Company:

- (1) in which the Offeror is interested;
- (2) in which the directors of the Offeror are interested;
- (3) which any member of the Offeror's concert group owns or controls;

## LETTER FROM GUOTAI JUNAN CAPITAL

- (4) which any member of the Offeror's concert group has borrowed or lent; or
- (5) which the persons identified in paragraphs (1) to (4) above have dealt for value during the Relevant Period.

Nor are there any other arrangements of kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between the Offeror, or any party acting in concert with the Offeror, and any other person.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong principally engaged in promotion of technology and new energy development and utilisation, and investment holding. It is wholly-owned by Tangshan Guokong which is in turn indirectly wholly-owned by 唐山市人民政府國有資產監督管理委員會(Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission\*), a PRC government body.

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

### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Upon Completion, the Offeror has become a controlling shareholder (as defined under the Listing Rules) of the Company. The Offeror considers and confirms that (a) it is intended that the Group will maintain the listing of its Shares on the Stock Exchange and continue with its existing business following the Completion; and (b) it has no intention to (i) introduce any major changes to the existing business of the Group or (ii) discontinue the employment of any of the Group's employees (except for proposed change to the composition of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code, as detailed in the section headed "Proposed Change of the Board Composition" below) or (iii) redeploy the fixed assets of the Group other than in its ordinary course of business.

The Company has received the aggregate consideration under the Subscription Agreement (i.e. HK\$192,769,800) from the Offeror for, among others, investment as Completion took place. In the long run, the Offeror expects that the Company shall maintain its business and operation through its own generated revenue and cashflow and external financing. The Offeror would consider providing suitable guarantees for external financing of the Company to lower its financing costs when appropriate.

## LETTER FROM GUOTAI JUNAN CAPITAL

The Offeror intends to (i) retain certain Directors, including Mr. Li Xin Qing and Mr. An Wei, who are existing executive Directors, and the majority of the members of the senior management of the Group to continue to manage and operate the business of the Group; and (ii) recruit experts and consultants with relevant experience and expertise in relation to the principal business of the Group as members of the senior management of Tangshan Guokong to manage and supervise the business and operation of the Group.

As at the Latest Practicable Date, no material investment or business opportunity had been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

### **PROPOSED CHANGE OF THE BOARD COMPOSITION**

The Board currently comprises two executive Directors, namely Mr. Li Xin Qing (Chairman of the Board) and Mr. An Wei (Chief Executive Officer of the Company); and three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng.

Pursuant to the Subscription Agreement and as a matter of good corporate governance, the Company will procure two existing independent non-executive Directors, namely Mr. Li Wan Jun and Mr. Pang Zhan who have been serving on the Board for over 14 and seven years respectively, to resign with effect from a date which is immediately after the first closing date of the Offers as required under Rule 7 of the Takeovers Code. As confirmed by the two to-be-resigned independent non-executive Directors, they have no disagreement with the Board.

As disclosed in the Rule 3.5 Announcement, the Offeror intends to nominate two executive Directors, one non-executive Director and two independent non-executive Directors to the Board. The Offeror intends to nominate the following proposed executive and non-executive Directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. The above appointments and resignations will be made as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

## LETTER FROM GUOTAI JUNAN CAPITAL

The biographical information of the proposed Directors nominated by the Offeror is set out below:

### **Proposed executive Directors**

*Mr. Gao Xia* (高峽) (“*Mr. Gao*”)

Mr. Gao, aged 50, has over 20 years of management experience. Mr. Gao worked in the United States of America in the earlier stage of his career. From May 2012 to January 2022, Mr. Gao successively served as assistant to the general manager, deputy general manager, deputy secretary of the party committee, general manager and director of Tangshan Caofeidian Development Investment Group Co., Ltd.\* (唐山曹妃甸發展投資集團有限公司). From October 2017 to January 2022, Mr. Gao served as the general manager of Caofeidian State-owned Investment Group Co., Ltd\* (曹妃甸國控投資集團有限公司). Since August 2019, Mr. Gao served as the chairman and director of Liancheng Technology (Hebei) Co., Ltd.\* (聯城科技(河北)股份有限公司) (formerly known as Tangshan Caofeidian Liancheng Technology Co., Ltd\* (唐山曹妃甸聯城科技股份有限公司)) (stock code: 873456), a company listed on the National Equities Exchange And Quotations (NEEQ) in the PRC. Since April 2022, Mr. Gao has served as secretary of the party committee of Tangshan Guokong. Since May 2022, Mr. Gao has also served as the chairman and director of Tangshan Guokong.

Mr. Gao has won several awards, including being awarded the second batch of “Hundred Talents Program” innovative talents in Hebei Province in January 2012, and “Young and Middle-Aged Experts with Outstanding Contributions of Year 2012” in Hebei Province in February 2013. In May 2019, Mr. Gao won the “Best Science and Technology Worker” of Tangshan City.

Mr. Gao obtained a bachelor degree with a major in automatic control engineering from Huazhong University of Science and Technology (華中理工大學) in July 1992. Mr. Gao also obtained a master’s degree in automatic control from Huazhong University of Science and Technology (華中理工大學) in June 1995. In May 2002, Mr. Gao obtained a degree of doctor of philosophy, majoring in electronics and computer engineering from the University of Illinois at Urbana-Champaign in the United States.

Save as disclosed above, Mr. Gao (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Gao did not hold any Share interests within the meaning of Part XV of the SFO.

## LETTER FROM GUOTAI JUNAN CAPITAL

*Mr. Bi Jingfeng (畢景峰) (“Mr. Bi”)*

Mr. Bi, aged 57, has more than 20 years of experience in finance. From 2003 to 2006, Mr. Bi was the manager of finance department of Hebei Changlu Daqinghe Salt Chemical Group Co., Limited\* (河北長蘆大清河鹽化集團有限公司). From May 2006 to June 2015, Mr. Bi served as the chief financial officer of Tangshan Caofeidian Dredging Co., Ltd.\* (唐山曹妃甸疏浚有限公司). Mr. Bi served as the deputy general manager from June 2014 to January 2021 of Tangshan Caofeidian Development Investment Group Co., Ltd.\* (唐山曹妃甸發展投資集團有限公司) and the chief financial officer from June 2014 to May 2022. From October 2017 to May 2022, Mr. Bi concurrently served as the chief financial officer of Caofeidian State-owned Investment Group Co., Ltd.\* (曹妃甸國控投資集團有限公司). Since April 2022, Mr. Bi has served as the deputy secretary of the party committee of Tangshan Guokong. Since May 2022, Mr. Bi has also served as the general manager and director of Tangshan Guokong.

Mr. Bi graduated from Hebei Broadcasting Television University\* (河北廣播電視大學) majoring in financial accounting in July 1989. Mr. Bi also obtained a bachelor degree from Hebei Broadcasting Television University\* (河北廣播電視大學) majoring in economic law in October 1996.

Save as disclosed above, Mr. Bi (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Bi did not hold any Share interests within the meaning of Part XV of the SFO.

### **Proposed non-executive Director**

*Mr. Jiang Wenqi (蔣汶岐) (“Mr. Jiang”)*

Mr. Jiang, aged 35, has over seven years of management experience. From June 2015 to April 2020, Mr. Jiang was the deputy general manager of Tangshan Caofeidian Heating Co., Ltd\* (唐山曹妃甸熱力有限公司) (“**Caofeidian Heating**”). Since July 2016, Mr. Jiang also served as the secretary of the party committee of Caofeidian Heating. Since April 2020, Mr. Jiang has concurrently served as the general manager and since July 2022, Mr. Jiang has also served as the chairman and director of Caofeidian Heating. Since April 2022, Mr. Jiang has served as a member of the party committee. Since May 2022, Mr. Jiang has also served as the deputy general manager of Tangshan Guokong.

Mr. Jiang obtained a bachelor degree in civil engineering from Tianjin Institute of Urban Construction\* (天津城市建設學院) in June 2010.

Mr. Jiang has won several awards, including being awarded the “Top Ten Outstanding Youth” in Caofeidian District in 2019. In 2021, Mr. Jiang won the “Excellent Party Affairs Worker” in Hebei Province and his studio “Jiang Wenqi Innovation Studio” won the “Model Worker and Craftsman Talent Innovation Studio” in Hebei Province.



## LETTER FROM GUOTAI JUNAN CAPITAL

Save as disclosed above, Mr. Jiang (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Jiang did not hold any Share interests within the meaning of Part XV of the SFO.

As at the Latest Practicable Date, the Offeror had not reached any final decision as to who would be nominated as the new independent non-executive Directors. Further announcement(s)/disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

The sole director of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

Steps that may be taken include but are not limited to placing down of sufficient number of accepted Shares by the Offeror, or procuring the disposal of a sufficient number of Shares held by the Controlling Shareholder Group pursuant to the Irrevocable Undertakings, and/or procuring the issue of new Shares by the Company for this purpose. Save for the arrangements under the Irrevocable Undertakings, no arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

## LETTER FROM GUOTAI JUNAN CAPITAL

### OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The Offeror intends to make the Offers available to all Offer Shareholders and Offer Optionholders, including the Overseas Shareholders and Overseas Optionholders. However, the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders and/or Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the responsibility of Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

**Any acceptance of the Offers by any Overseas Shareholder and/or Overseas Optionholder will be deemed to constitute a representation and warranty from such Overseas Shareholder and/or Overseas Optionholder to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.**

### FURTHER MATTERS RELATING TO THE OFFERS

Please refer to Appendix I to this Composite Document for information regarding the acceptance of the Offers and settlement of consideration.

### GENERAL

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company or in the case of joint holders of the Offer Shares, to the Offer Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the accompanying Form(s) of Acceptance completed, returned and received by the Registrar. None of the Company, the Offeror, Guotai Junan Capital, Guotai Junan Securities, China Sunrise Capital Limited or any of their respective directors or professional advisers or other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

## LETTER FROM GUOTAI JUNAN CAPITAL

All documents and remittances will be sent to the Offer Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of optionholders of the Company, unless otherwise specified in the accompanying Form(s) of Acceptance completed, returned and received by the company secretary of the Company. None of the Company, the Offeror, Guotai Junan Capital, Guotai Junan Securities, China Sunrise Capital Limited or any of their respective directors or professional advisers or other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Offer Shareholders and Offer Optionholders are strongly encouraged and advised to read this Composite Document carefully, including the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser”, as to whether the terms of the Offers are fair and reasonable so far as the Offer Shareholders and Offer Optionholders are concerned, and to consult their professional advisers as they see fit and necessary, before deciding whether or not to accept the Offers. Offer Shareholders’ and Offer Optionholders’ attention is further drawn to the additional information set out in the appendices to this Composite Document, which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Guotai Junan Capital Limited**

**Iris Leung**  
*Deputy General Manager*

**Amy Chow**  
*Senior Vice President*



**China Titans Energy Technology Group Co., Limited**

**中國泰坦能源技術集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2188)**

*Executive Directors:*

Mr. Li Xin Qing (Chairman)

Mr. An Wei (Chief Executive Officer)

*Independent non-executive Directors:*

Mr. Li Wan Jun

Mr. Pang Zhan

Mr. Li Xiang Feng

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business*

*in Hong Kong:*

Suite 2703, 27/F

Shui On Centre

Nos. 6-8 Harbour Road

Wanchai

Hong Kong

24 May 2023

*To Offer Shareholders and Offer Optionholders:*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY  
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE  
ALL THE ISSUED SHARES OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY AND/OR AGREED  
TO BE ACQUIRED BY TANGSHAN GUOKONG SCIENCE AND  
TECHNOLOGY INNOVATION INVESTMENT GROUP CO., LIMITED  
AND/OR THE PARTIES  
ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF  
ALL THE OUTSTANDING OPTIONS OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**

**1. INTRODUCTION**

Reference is made to the Rule 3.5 Announcement.

On 18 October 2022 (after trading hours), the Company entered into the Subscription Agreement with Tangshan Guokong, pursuant to which, the Company has conditionally agreed to allot and issue, and the Offeror has conditionally agreed to

\* For identification purpose only

## LETTER FROM THE BOARD

subscribe for 566,970,000 Subscription Shares at the Subscription Price of HK\$0.34 per Subscription Share for a total consideration of HK\$192,769,800. Pursuant to the Subscription Agreement, Completion is subject to the fulfillment or waiver of certain conditions precedent, including but not limited to, the approval of the Whitewash Waiver at a duly convened extraordinary general meeting of the Company. As stated in the announcement of the Company dated 12 December 2022, the resolution relating to the Whitewash Waiver was not passed at the extraordinary general meeting of the Company held on 12 December 2022.

On 11 May 2023, Tangshan Guokong issued to the Company a notice in writing to waive the conditions precedent requiring the passing of the necessary resolution at a duly convened extraordinary general meeting to approve the Whitewash Waiver by special resolution and the satisfaction of all conditions attached to the Whitewash Waiver granted by the Executive, being conditions precedent (c) and (d) as set out in the circular of the Company dated 18 November 2022, such that Completion shall no longer be conditional on the fulfillment of these conditions precedent.

Following the waiver of the aforementioned conditions precedent, all conditions precedent of the Subscription Agreement have been fulfilled or waived (as the case maybe) and Completion took place on 11 May 2023 (after trading hours) as agreed in writing by Tangshan Guokong and the Company, the Offeror paid the total consideration of the Subscription to the Company on the same date.

Before Completion, neither the Offeror nor any party acting in concert with it owned (or had control or direction over) any Shares. Upon Completion which took place on the date of the Rule 3.5 Announcement, the Offeror and parties acting in concert with it own 566,970,000 Shares, representing 38.00% of the total issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

Immediately after Completion which took place on the date of the Rule 3.5 Announcement, the Company has (i) a total of 1,492,026,000 Shares in issue; and (ii) 66,260,000 Options, which may be exercised for an issue of 36,060,000 additional Shares at a price of HK\$0.445 per Option and 30,200,000 additional Shares at a price of HK\$0.343 per Option by the relevant Optionholders. Mr. Li Xin Qing and Mr. An Wei who in aggregate hold 1,200,000 Options have given the Irrevocable Undertakings not to exercise the Options before the close of the Offers. Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this letter.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and the parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make an appropriate cash offer to the Offer Optionholders to cancel all the Offer Options.

## LETTER FROM THE BOARD

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other matters, (i) information relating to the Group, the Offeror and the Offers; (ii) a letter from Guotai Junan Capital containing, among other things, details of the Offers; (iii) a letter of recommendation from the Independent Board Committee in relation to the Offers; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers; and (v) the Form(s) of Acceptance.

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

### 2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors namely, Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng who have no direct or indirect interest in the Offers, has been established to make recommendations to the Offer Shareholders and Offer Optionholders (where applicable) on whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

The Board, with the approval of the Independent Board Committee, has appointed China Sunrise Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, and in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code.

### 3. THE OFFERS

As disclosed in the “Letter from Guotai Junan Capital” in this Composite Document, Guotai Junan Securities, for and on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the following basis:

#### **The Share Offer**

**For each Offer Share . . . . . HK\$0.34 in cash**

#### **The Option Offer**

**For the cancellation of each of Offer Options . . . . . HK\$0.0001 in cash**

Further details of the Offers are set out under the section headed “Letter from Guotai Junan Capital” and Appendix I in this Composite Document and the accompanying Form(s) of Acceptance, which together set out the terms and conditions of the Offers and certain related information.

## LETTER FROM THE BOARD

#### 4. OFFEROR'S INTENTION ON THE COMPANY

Your attention is drawn to the section headed "Intention of the Offeror regarding the Group" in the "Letter from Guotai Junan Capital" in this Composite Document which sets out the intention of the Offeror regarding the Group.

The Board is pleased to note the intention of the Offeror in respect of the Group as disclosed. The Board is willing to cooperate with the Offeror for the best interests of the Company and its Shareholders as a whole.

#### 5. INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Guotai Junan Capital" in this Composite Document for information relating to the Offeror.

#### 6. INFORMATION OF THE GROUP

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

Your attention is also drawn to Appendices II and IV to this Composite Document which contain the financial information of the Group and the general information of the Group respectively.

#### 7. PROPOSED CHANGE OF THE BOARD COMPOSITION

Your attention is drawn to the paragraph headed "Proposed Change of the Board Composition" in the "Letter from Guotai Junan Capital" in this Composite Document.

The Board currently comprises two executive Directors, namely Mr. Li Xin Qing (Chairman of the Board) and Mr. An Wei (Chief Executive Officer of the Company); and three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng.

The Board is aware that the Offeror intends to nominate new Directors to the Board in accordance with relevant requirements of the Takeovers Code, the Listing Rules or other applicable regulations. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Offeror intends to nominate two executive Directors, one non-executive Director and two independent non-executive Directors to the Board. Please refer to the paragraph headed "Proposed Change of the Board Composition" in the "Letter from Guotai Junan Capital" in this Composite Document for the biographical information of the proposed Directors nominated by the Offeror.

## LETTER FROM THE BOARD

The Offeror intends to nominate the proposed executive and non-executive Directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. The above appointments and resignations will be made as and when appropriate in accordance with the Takeovers Code and the Listing Rules. Further announcement(s) and/or disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

### 8. PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “Public float and maintaining the listing status of the Company” in the “Letter from Guotai Junan Capital” in this Composite Document.

### 9. FURTHER INFORMATION

You are advised to read the “Letter from Guotai Junan Capital” and Appendix I in this Composite Document and the accompanying Form(s) of Acceptance for information relating to the Offers and the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

### 10. RECOMMENDATION

Your attention is drawn to (i) “Letter from the Independent Board Committee” as set out on pages 28 to 29 of this Composite Document, which contains the recommendation of the Independent Board Committee to Offer Shareholders and Optionholders in relation to the Offers; and (ii) “Letter from the Independent Financial Adviser” as set out on pages 30 to 68 of this Composite Document, which sets out the advice and recommendation of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers and the principal factors considered by it before arriving at its recommendation. You are urged to read both letters and the other information contained in this Composite Document carefully before taking any action in respect of the Offers.

In considering what action to take in response to the Offers, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

By Order of the Board  
**China Titans Energy Technology Group Co., Limited**  
**Li Xin Qing**  
*Chairman*





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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2188)**

24 May 2023

*To Offer Shareholders and Offer Optionholders:*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY  
GUOTAI JUNAN SECURITIES  
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE  
ALL THE ISSUED SHARES OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY AND/OR AGREED  
TO BE ACQUIRED BY TANGSHAN GUOKONG SCIENCE AND  
TECHNOLOGY INNOVATION INVESTMENT GROUP CO., LIMITED  
AND/OR THE PARTIES  
ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF  
ALL THE OUTSTANDING OPTIONS OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**

**1. INTRODUCTION**

We refer to the Composite Document dated 24 May 2023 issued jointly by the Offeror and the Company of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to make recommendation to you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as Offer Shareholders and Offer Optionholders are concerned and as to acceptance of the Offers.

China Sunrise Capital Limited, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to acceptance of the Offers. Details of its advice and recommendation are set out in the "Letter from the Independent Financial Adviser" set out in the Composite Document.

\* *For identification purpose only*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from Guotai Junan Capital”, the “Letter from the Board” and the additional information set out in the Composite Document, including the Appendices to the Composite Document and the accompanying Form(s) of Acceptance.

### 2. RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we concur with the view of the Independent Financial Adviser and consider that the terms of the Offers (being the Share Offer and the Option Offer) are fair and reasonable so far as Offer Shareholders and Offer Optionholders are concerned, and recommend (i) the Offer Shareholders to accept the Share Offer; and (ii) the Offer Optionholders to accept the Option Offer.

Notwithstanding our recommendation, Offer Shareholders and Offer Optionholders are strongly advised that their decision to realise or hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, Offer Shareholders and Offer Optionholders should consult their own professional advisers for professional advice.

For and on behalf of the  
**Independent Board Committee of**  
**China Titans Energy Technology Group Co., Limited**

**Mr. Li Wan Jun**  
*Independent*  
*Non-executive Director*

**Mr. Pang Zhan**  
*Independent*  
*Non-executive Director*

**Mr. Li Xiang Feng**  
*Independent*  
*Non-executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of the letter of advice from China Sunrise Capital Limited, the Independent Financial Adviser, prepared for the purpose of inclusion in this Composite Document, setting out its advice to the Independent Board Committee and the Offer Shareholders and Offer Optionholders in respect of the Offers.*



### CHINA SUNRISE CAPITAL LIMITED

Unit 4513, 45th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

24 May 2023

*To: The Independent Board Committee, the Offer Shareholders and the Offer Optionholders*

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFERS BY  
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED  
FOR AND ON BEHALF OF TANGSHAN GUOKONG SCIENCE AND  
TECHNOLOGY INNOVATION INVESTMENT GROUP CO., LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR  
THE PARTIES ACTING IN CONCERT WITH IT) AND FOR  
THE CANCELLATION OF ALL THE OUTSTANDING OPTIONS OF  
CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Offer Shareholders and the Offer Optionholders in connection with the Offers. Details of the Offers are set out in this Composite Document dated 24 May 2023 jointly issued by the Company and the Offeror to the Offer Shareholders and the Offer Optionholders, of which this letter (the “**Letter**”) forms part. Terms used herein shall have the same meanings as defined in this Composite Document unless the context requires otherwise.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

References are made to (1) the Subscription Announcement of the Company dated 18 October 2022 in relation to, among others, the Subscription; (2) the circular of the Company dated 18 November 2022 in relation to, among others, the Subscription (the “Circular”); (3) the announcement of the Company dated 12 December 2022 in relation to, among other things, the possible mandatory general offer pursuant to Rule 3.7 of the Takeovers Code; (4) the announcements of the Company dated 12 January 2023, 10 February 2023, 10 March 2023, 31 March 2023 and 28 April 2023 in relation to monthly update pursuant to Rule 3.7 of the Takeovers Code and extension of long stop date in respect of the Subscription Agreement; and (5) the Rule 3.5 Announcement in relation to, among others, the waiver of conditions precedent of the Subscription Agreement, the Completion and the Offers.

### **Waiver of conditions precedent and Completion**

Pursuant to the Subscription Agreement, Completion was subject to the fulfillment or waiver of certain conditions precedent, including but not limited to, the approval of the Whitewash Waiver at a duly convened extraordinary general meeting of the Company. As stated in the announcement of the Company dated 12 December 2022, while the resolution relating to the Subscription was passed, the resolution relating to the Whitewash Waiver was not passed at the extraordinary general meeting of the Company held on 12 December 2022.

On 11 May 2023, the Offeror issued to the Company a notice in writing to waive the conditions precedent requiring the passing of the necessary resolution at a duly convened extraordinary general meeting to approve the Whitewash Waiver by special resolution and the satisfaction of all conditions attached to the Whitewash Waiver granted by the Executive, being conditions precedent (c) and (d) as set out in the Circular, such that Completion shall no longer be conditional on the fulfillment of these conditions precedent.

Following the waiver of the aforementioned conditions precedent, all conditions precedent of the Subscription Agreement were fulfilled or waived (as the case may be) and Completion took place on 11 May 2023 as agreed in writing by Tangshan Guokong and the Company, and the Offeror paid the total consideration of the Subscription to the Company on the same date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### **The Offers**

Before Completion, neither the Offeror nor any party acting in concert with it owned (or had control or direction over) any Shares. Upon Completion which took place on the date of the Rule 3.5 Announcement, the Offeror and parties acting in concert with it owned 566,970,000 Shares, representing 38.00% of the total issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and the parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make an appropriate cash offer to the Offer Optionholders to cancel all the Offer Options.

### **THE INDEPENDENT BOARD COMMITTEE**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors namely, Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng who have no direct or indirect interest in the Offers, has been established to make recommendations to the Offer Shareholders and Offer Optionholders (where applicable) on whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Offer Shareholders and the Offer Optionholders in the same regard pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

### **INDEPENDENCE OF CHINA SUNRISE**

Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Offers, as at the Latest Practicable Date, China Sunrise did not have any other relationship or connection, financial or otherwise, with or any interests in the Company, its financial or other professional advisers, the Offeror or the parties acting in concert with the Offeror that could reasonably be regarded as relevant to our independence. In the last two years, save for the appointment as the Independent Financial Adviser in connection with the Offers, there was no engagement between the Group, the Offeror or the parties acting in concert with the Offeror and China Sunrise. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group, the Offeror or the parties acting in concert with the Offeror. Accordingly, we are considered eligible to act as the Independent Financial Adviser and to give independent advice on the Offers under Rule 2.1 of the Takeovers Code.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### BASIS OF OUR ADVICE

In formulating our advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Composite Document, provided and made to us by the Directors and management of the Company (collectively, the “**Management**”), the Company, the Offeror, the sole director of the Offeror and their respective professional advisers (as the case may be). We have reviewed, amongst other things, (i) the Circular; (ii) the Rule 3.5 Announcement; (iii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) (iv) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (v) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); and other information, representations and opinions as contained or referred to in this Composite Document and those provided by the Management, the Company, the Offeror, the sole director of the Offeror and their respective professional advisers (as the case may be).

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our advice as set out in this Letter. We have assumed that all statements, information, facts, representations and opinions contained or referred to in this Composite Document and/or those provided to us by the Management, the Company, the Offeror, the sole director of the Offeror and their respective professional advisers (as the case may be), for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so in all material respect up to the Closing Date of the Offers. The Offer Shareholders and the Offer Optionholders will be notified of any material changes, if any, to such statements, information, facts, representations and/or opinions and the contents of this Letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all the statements, information, facts, representations and opinions contained or referred to in this Composite Document and/or provided to us have been reasonably made after due enquiries and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading. We have no reason to suspect that any material information or facts have been omitted or withheld nor to doubt the truth, accuracy or completeness of the information and facts contained in this Composite Document or provided to us, or the reasonableness of the opinions expressed by the Management, the Company, the Offeror, the sole director of the Offeror and their respective professional advisers (as the case may be), which have been provided to us. We have also sought and received confirmation from the Directors that no material information and facts have been omitted from the information and facts provided to us and the representations made and opinions expressed by them are not misleading or deceptive in any material respect.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Composite Document, save and except for this Letter.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group, the Offeror or their respective subsidiaries or associates (if applicable).

We have also not considered the tax and regulatory implications on the Group, the Offer Shareholders or the Offer Optionholders as a result of the Offers since these depend on their individual circumstances. In particular, the Offer Shareholders and the Offer Optionholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context.

This Letter is issued for the information of the Independent Board Committee, the Offer Shareholders and the Offer Optionholders solely in connection with their consideration of the matters relating to the Offers. Except for its inclusion in this Composite Document, this Letter is not to be quoted or referred to, in whole or in part, nor shall this Letter be used for any other purposes, without our prior written consent.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**PRINCIPAL TERMS OF THE OFFER**

**1. The Offers**

Guotai Junan Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offers on the terms, as set out in this Composite Document and in the Forms of Acceptance, on the following basis:

*The Share Offer*

**For each Offer Share . . . . . HK\$0.34 in cash**

The Share Offer Price of HK\$0.34 is equal to the Subscription Price of the Subscription Shares under the Subscription Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and clear of any Encumbrances and together with all rights and interests attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

The Company has no intention to make any distribution or declare dividends before the close of the Offers. As at the Latest Practicable Date, the Company had no outstanding dividends which had not been paid.

The Offeror will not increase the Share Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Share Offer Price and the Offeror does not reserve the right to increase the Share Offer Price.

*The Option Offer*

**For the cancellation of each of Offer Options . . . . . HK\$0.0001 in cash**

Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Options and the Share Offer Price. As the outstanding Options have an exercise price of HK\$0.445 and HK\$0.343 per Option, which is above the Share Offer Price of HK\$0.34, and are therefore out-of-the-money, the Option Offer Price for the cancellation of each of the Offer Options is set at a nominal cash amount of HK\$0.0001.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Conditions to the Offers*

The Share Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company.

The Option Offer is conditional on the Share Offer becoming or being declared unconditional in all respects.

Further announcement(s) in relation to the revision, extension or lapse of the Offers or the fulfillment of the conditions of the Offers shall be made in accordance with the Takeovers Code and Listing Rules in due course.

### *Irrevocable Undertakings*

On 11 May 2023, certain members of the Controlling Shareholder Group, namely, (1) Mr. Li Xin Qing, who held 200,000 Shares and 600,000 Options granted to him by the Company on 23 July 2021; (2) Mr. An Wei, who held 400,000 Shares and 600,000 Options granted to him by the Company on 23 July 2021; (3) Rich Talent Management Limited, which held 7,985,418 Shares; (4) Genius Mind Enterprises Limited, which held 197,724,457 Shares; (5) Great Passion International Limited, which held 187,884,457 Shares; and (6) Honor Boom Investments Limited, which held 82,458,117 Shares as at 11 May 2023, gave the Irrevocable Undertakings in favour of the Offeror. A total of 476,652,449 Shares and 1,200,000 Options are therefore subject to the Irrevocable Undertakings.

Pursuant to the Irrevocable Undertakings, each of the Irrevocable Undertakings provider has undertaken that he/she/it shall (1) not accept the Offers in respect of the Shares and/or Options that he/she/it is on the date of the Irrevocable Undertakings, or he/she/it may become after the date of the Irrevocable Undertakings, the registered holder or beneficial owner; (2) in respect of each of Mr. Li Xin Qing and Mr. An Wei, not exercise the 600,000 Options granted to each of them by the Company on 23 July 2021 before the close of the Offers; (3) continue to be interested in the Shares and Options (in respect of Mr. Li Xin Qing and Mr. An Wei) that he/she/it is on the date of the Irrevocable Undertakings, or he/she/it may become after the date of the Irrevocable Undertakings, the registered holder or beneficial owner of, and shall not prior to the completion of the Offers, sell, transfer, dispose of, charge or pledge such Shares and/or Options (in respect of Mr. Li Xin Qing and Mr. An Wei); (4) at the request of the Offeror, he/she/it will dispose of a sufficient number of Shares to ensure that the public float of the issued Shares as enlarged by the Subscription is not less than 25% after the close of the Offers, provided that the Offeror will not, and will procure parties acting in concert with it not to, purchase any Shares (whether such Shares are purchased from the Controlling Shareholder Group or not) within six (6) months of the closing of the Share Offer; and (5) he/she/it confirms that he/she/it does not have any special voting arrangements in respect of the Shares that have not been disclosed to the Offeror, including but not limited to any special arrangement of concert party, voting entrustment etc..

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Irrevocable Undertakings shall terminate immediately if the Offers are not made in accordance with the requirements under the Takeovers Code in all material respects or the Offers close, lapse or are withdrawn.

### **2. Total value of the Offers**

As at the Latest Practicable Date, there were 1,492,026,000 Shares in issue. On the basis of the Share Offer Price of HK\$0.34 per Share, the entire issued ordinary share capital of the Company would be valued at HK\$507,288,840.

As at the Latest Practicable Date, under the Share Option Scheme, there were 66,260,000 Options outstanding, of which 54,240,000 Options are currently not yet vested and/or exercisable, and will automatically be vested and exercisable if the Share Offer becomes unconditional. Mr. Li Xin Qing and Mr. An Wei who in aggregate hold 1,200,000 Options have given the Irrevocable Undertakings not to exercise the Options before the close of the Offers and not to accept the Option Offer.

Assuming that there is no change in the issued share capital of the Company, and excluding the 566,970,000 Shares held by the Offeror after Completion, 925,056,000 Shares (including the 476,652,449 Shares subject to Irrevocable Undertakings) could be subject to the Share Offer and 66,260,000 Options (including the 1,200,000 Options subject to the Irrevocable Undertakings) could be subject to the Option Offer. In the case that the Share Offer and the Option Offer are accepted in full (i) the maximum consideration payable by the Offeror for the Share Offer is valued at HK\$314,519,040; and (ii) the maximum consideration payable by the Offeror for the cancellation of all Options under the Option Offer is valued at HK\$6,626. In such case, the aggregate value of the Offers is HK\$314,525,666.

### **3. Confirmation of financial resources sufficiency**

The Offeror intends to finance the amount of consideration payable under the Offers with its own financial resources.

Guotai Junan Capital Limited, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the amount required for (i) the full acceptance of the Share Offer involving 448,403,551 Shares (excluding the 476,652,449 Shares subject to the Irrevocable Undertakings) i.e. approximately HK\$152,457,208, and (ii) the maximum consideration payable by the Offeror for the cancellation of 65,060,000 Options (excluding the 1,200,000 Options subject to the Irrevocable Undertakings) i.e. approximately HK\$6,506, which in aggregate amounts to approximately HK\$152,463,714.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### PRINCIPAL FACTORS AND REASONS TAKEN INTO CONSIDERATION ON THE OFFERS

In assessing the Offers and in giving our advice to the Independent Board Committee, the Offer Shareholders and the Offer Optionholders, we have taken into account the following principal factors and reasons:

#### 1. Background of the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange since 28 May 2010. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer (BOT) arrangements.

#### 2. Financial information of the Group

Set out below is the summary of the audited consolidated financial results of the Group for the three years ended 31 December 2020 (“FY2020”), 2021 (“FY2021”) and 2022 (“FY2022”) prepared in accordance with the Hong Kong Financial Reporting Standards as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively:

	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue			
–Electric direct current (“DC”) products	115,788	124,586	123,813
–Charging equipment for electric vehicles	138,547	186,505	198,377
–Charging services and construction	18,836	25,696	22,521
–Other sources	2,421	557	137
	275,592	337,344	344,848
Total	275,592	337,344	344,848
(Loss)/ Profit after tax for the year attributable to owners of the Company	(29,622)	18,595	(18,227)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *FY2021 as compared to FY2020*

The Group recorded total revenue of approximately RMB337.3 million for FY2021, representing an increase of approximately 22.4% as compared to that of approximately RMB275.6 million for FY2020. It is noted that such an increase in revenue was primarily due to the increase in revenue from electric DC products, charging equipment for electric vehicles and charging services for electric vehicles.

Revenue from electric DC products increased from approximately RMB115.8 million for FY2020 to approximately RMB124.6 million for FY2021, representing an increase of approximately 7.%. As stated in the section headed “MANAGEMENT DISCUSSION AND ANALYSIS” in the 2021 Annual Report, the Directors consider that the main reason for the increase in revenue was that in the post-epidemic era, the market demand for electric DC products grew, and that the production, manufacturing, and sales of this business have gradually returned to pre-epidemic levels.

Revenue from charging equipment for electric vehicles increased from approximately RMB138.5 million for FY2020 to approximately RMB186.5 million for FY2021, representing an increase of approximately 34.6%. The Directors consider that during FY2021, the overall domestic investment confidence rallied from FY2020, and that the demand for charging equipment projects across China continuously grew, resulting in an increase in the Group’s revenue.

Revenue from charging services for electric vehicles and construction increased from approximately RMB18.8 million for FY2020 to approximately RMB25.7 million for FY2021, representing an increase of approximately 36.4%. The Directors consider that the increase in revenue from electric vehicle charging services and construction was mainly due to: (1) the increase in the sales volume of new energy vehicles in China fueled the rapid growth of the demand for charging services; and (2) the franchisee cooperation model developed by the Group for charging operation enjoys an increasingly mature development.

Revenue from other source decreased from approximately RMB2.4 million for FY2020, being the income from the sales of power storage products and the leasing business in relation to electric vehicles, to approximately RMB0.6 million for FY2021, representing a decrease of approximately 77.0%. The Directors consider that the decrease in other income was mainly due to the decrease in activities of the leasing business affected by the COVID-19 pandemic.

Net profit attributable to owners of the Company for FY2021 was approximately RMB18.6 million, which was a turnaround from the net loss attributable to owners of the Company of RMB29.6 million for FY2020. This was mainly due to (1) the increase in gross profit resulting from the increase in revenue for FY2021; and (2) the increase in income from the disposal of interests in associates of the Group in FY2021.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *FY2022 as compared to FY2021*

The Group recorded total revenue of approximately RMB344.8 million for FY2022, representing a slight increase of approximately 2.2% as compared to that of approximately RMB337.3 million for FY2021. It is noted that such an increase in revenue was primarily due to the increase in revenue from charging equipment for electric vehicles and offset by decrease in revenue from electric DC products and charging services for electric vehicles and construction.

As stated in the section headed “MANAGEMENT DISCUSSION AND ANALYSIS” in the 2022 Annual Report, the revenue from electric DC products of approximately RMB123.8 million for FY2022 remained stable as compared to the that of FY2021 of approximately RMB124.6 million.

Revenue from charging equipment for electric vehicles increased from approximately RMB186.5 million for FY2021 to approximately RMB198.4 million for FY2022, representing an increase of approximately 6.4%. The Directors consider that during FY2022, the overall domestic investment confidence rallied from FY2021, and that the demand for charging equipment projects across China continuously grew, resulting in an increase in the Group’s revenue from charging equipment for electric vehicles.

Revenue from charging services for electric vehicles and construction decreased from approximately RMB25.7 million for FY2021 to approximately RMB22.5 million for FY2022, representing a decrease of approximately 12.4%. The Directors consider that the decrease in revenue from electric vehicle charging services was mainly due to the domestic and sporadic COVID-19 resurgences, resulting in a less-than-expected charging capacity.

Revenue from other source decreased from approximately RMB0.6 million for FY2021, being the income from the sales of power storage products and the leasing business in relation to electric vehicles, to approximately RMB0.1 million for FY2022, representing a decrease of approximately 75.4%. The Directors consider that the continuing decrease in other income was mainly due to the decrease in activities of the leasing business affected by the COVID-19 pandemic.

Net loss attributable to owners of the Company for FY2022 was approximately RMB18.3 million as compared to the net profit attributable to owners of the Company for FY2021 of approximately RMB18.6 million. The Directors consider that, compared with FY2021, the loss of the Group for FY2022 was mainly due to: (1) the increase in costs and expenses during FY2022; and (2) the increase in allowance of trade receivables which, in the view of the Directors, was caused by the delay of payment schedules of certain customers’ projects due to the pandemic.

We note that although the Group recorded increasing trend in revenue during the past three financial years, namely FY2020, FY2021 and FY2022, the Group had fluctuations in its bottom line where it recorded net loss for FY2020, and although the Group reported net profit for FY2021, it recorded net loss for FY2022, which suggest that the Group is operating in a challenging business environment.

The Company did not declare any dividend for FY2020, FY2021 and FY2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. Financial position of the Group

Set out below is the summary of the Group's financial positions as at 31 December 2020, 2021 and 2022, as extracted from and determined based on the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Non-current assets	277,359	255,425	246,224
Current assets	549,081	611,007	660,740
Total assets	826,440	866,432	906,964
Non-current liabilities	66,841	61,358	66,496
Current liabilities	254,706	282,155	337,865
Total liabilities	321,547	343,513	404,361
Net current assets	294,375	328,852	322,875
Net asset value	504,893	522,919	502,603

#### *As at 31 December 2021 (with comparative figures as at 31 December 2020)*

As at 31 December 2021, the Group had non-current assets of approximately RMB255.4 million (2020: RMB277.4 million) which comprised mainly (i) property, plant and equipment of approximately RMB163.5 million (2020: RMB176.0 million); (ii) intangible assets of approximately RMB26.1 million (2020: RMB32.5 million); and (iii) financial assets at fair value through other comprehensive income and through profit and loss in aggregate of approximately RMB28.7 million (2020: RMB35.2 million). The Directors consider that the decrease in non-current assets was mainly due to the decrease in value of property, plant and equipment as a result of provision of depreciation, and decrease in intangible assets and financial assets at fair value were mainly due to amortization of the intangible assets and adverse market conditions, respectively.

As at 31 December 2021, the Group had current assets of approximately RMB611.0 million (2020: RMB549.1 million) which comprised mainly (i) trade and bills receivables of approximately RMB274.4 million (2020: RMB248.5 million); (ii) inventories of approximately RMB130.4 million (2020: RMB106.9 million); (iii) prepayments, deposits and other receivables of approximately RMB59.0 million (2020: RMB59.4 million); (iv) contract assets of approximately RMB41.9 million (2020: RMB33.9 million); and (v) restricted bank balances, short-term bank deposits, and bank balances and cash in aggregate of approximately RMB97.2 million (2020: RMB92.0 million). The Directors consider that the increase in current assets during FY2021 was mainly attributable to the increase in trade and bills receivables, mainly due to the corresponding increase in revenue for FY2021, and the increase in inventories and contract assets during FY2021, which was due to the increase in inventories and contract assets in anticipation of increase in delivery of contract orders.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2021, the Group had non-current liabilities and current liabilities amounted to approximately RMB61.4 million and RMB282.2 million respectively (2020: RMB66.8 million and RMB254.7 million respectively), comprising mainly trade and bills payables of approximately RMB127.0 million (2020: RMB117.6 million), bank and other borrowings of approximately RMB163.8 million (2020: RMB168.8 million) and contract liabilities of approximately RMB28.4 million (2020: RMB13.3 million). The Directors consider that the decrease in non-current liabilities was mainly due to partial repayment of non-current other borrowings which were secured by assets of the Group and increase in current liabilities was mainly due to payables and contract liabilities which were related to the increase in inventories and contract assets in anticipation of increase in delivery of contract orders.

The net current asset position and net asset value of the Group as at 31 December 2021 was approximately RMB328.9 million and RMB522.9 million respectively, which were higher than that as at 31 December 2020 of approximately RMB294.4 million and RMB504.9 million respectively.

### *As at 31 December 2022 (with comparative figures as at 31 December 2021)*

As at 31 December 2022, the Group had non-current assets of approximately RMB246.2 million (2021: RMB255.4 million) which comprised mainly (i) property, plant and equipment of approximately RMB161.4 million (2021: RMB163.5 million); (ii) financial assets at fair value through other comprehensive income and through profit and loss in aggregate of approximately RMB23.5 million (2021: RMB28.7 million); (iii) interest in associates of approximately RMB22.3 million (2021: RMB18.4 million); and (iv) intangible assets of approximately RMB19.8 million (2021: RMB26.1 million). The decrease in non-current assets was mainly from the decrease in financial assets at fair value and intangible assets. The financial assets at fair value decreased by 18.1%, from approximately RMB28.7 million at 31 December 2021 to approximately RMB23.5 million at 31 December 2022. The Directors consider that the decrease in financial assets at fair value was mainly due to the adverse market conditions. The intangible assets decreased by 24.1%, from approximately RMB26.1 million at 31 December 2021 to approximately RMB19.8 million at 31 December 2022, mainly due to amortization of the intangible assets.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2022, the Group had current assets of approximately RMB660.7 million (2021: RMB611.0 million) which comprised mainly (i) trade receivables of approximately RMB299.5 million (2021: RMB274.4 million); (ii) inventories of approximately RMB177.5 million (2021: RMB130.4 million); (iii) prepayments, deposits and other receivables of approximately RMB48.4 million (2021: RMB59.0 million); (iv) contract assets of approximately RMB32.4 million (2021: RMB41.9 million); and (v) restricted bank balances, short-term bank deposits, and bank balances and cash in aggregate of approximately RMB97.7 million (2021: RMB97.2 million). The increase in current assets during FY2022 was mainly attributable to the increase in trade receivables and inventories, and offset by the decrease in prepayments, deposits and other receivables and contract assets. The increase in trade receivables was mainly due to the delay of payment schedules of certain customers' projects due to the pandemic and the increase inventories was due to the increase in sales of major products during FY2022. The Directors consider that the decrease in prepayments, deposits and other receivables was mainly due to the settlement of related delivery during FY2022 and the decrease in contract assets were mainly due to relevant settlement during FY2022.

As at 31 December 2022, the Group had non-current liabilities and current liabilities amounted to approximately RMB66.5 million and RMB337.9 million respectively (2021: RMB61.4 million and RMB282.2 million respectively), comprising mainly trade and bills payables of approximately RMB197.0 million (2021: RMB127.0 million), bank and other borrowings of approximately RMB164.6 million (2021: RMB163.8 million) and contract liabilities of approximately RMB16.9 million (2021: RMB28.4 million). The Directors consider that the increase in trade and bills payables was mainly due to increase in inventories in anticipation of increase in delivery of contract orders.

The net current asset position and net asset value of the Group as at 31 December 2022 was approximately RMB322.9 million and RMB502.6 million respectively, which were lower than that as at 31 December 2021 of approximately RMB328.9 million and RMB522.9 million respectively.

More details of the financial information of the Group are set out in Appendix II in this Composite Document.

#### **4. Reasons for the Subscription**

The making of the Offers by the Offeror is triggered by the Completion. In the Circular, the Board explained the reasons for the Subscription which are repeated below.

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



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

**5. Support from the Tangshan City government**

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

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

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

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

We concur with the view of the Board that having Tangshan Guokong, which is a government-owned entity, as a Shareholder and with the support of the Tangshan City government as stated in the Circular, the cooperation between the Company and Tangshan Guokong would be beneficial to the Group's business development. However, the cooperation between the Company and Tangshan Guokong has not started and therefore the intended synergy effect has yet to be proven.

### **6. Industry outlook**

In September 2020, Chinese President Xi Jinping announced at the 75th Session of the United Nations General Assembly that China would aim for a peak in its carbon dioxide (CO<sub>2</sub>) emissions before 2030 and to achieve carbon neutrality by 2060. 2021 marked the beginning of China's 《十四五規劃》 (14th Five-Year Plan\*) and launch of a framework for both "carbon neutrality" and "carbon peaking" as well. China explicitly anchored the goal of carbon peak and carbon neutrality, strengthened the top-level design of the industry, accelerated the construction of major projects such as large-scale wind power photovoltaic bases, focused on energy and people's livelihood security, made every effort to increase clean power supply, and strived to promote the high-quality leapfrog development of renewable energy, achieving a good start of the 14th Five-Year Plan.

\* for identification purposes only

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In October 2020, the State Council released 《新能源汽車產業發展規劃(2021-2035)》 (New Energy Vehicle Industrial Development Plan for 2021 to 2035\*) (“**Plan 2021–2035**”). By setting a target of about a 20% share for new energy vehicles (“**NEVs**”) in new vehicle sales by 2025 and other development targets for the NEV industry, Plan 2021–2035 aims to build a green, robust, and internationally competitive auto industry in China. Its three overarching goals are to: (i) form a globally competitive auto industry with advanced new energy vehicle technologies and good brand reputation; (ii) transition to an energy-efficient and low-carbon society with a convenient charging service network and battery electric vehicles as the mainstream in sales; and (iii) improve national energy security and air quality, mitigate climate change, and stimulate economic growth in the automobile, energy, transportation, and information and communications industries. Additionally, Plan 2021-2035 sets specific targets for new energy vehicle market development, technology advancement, and the build up of supporting services in the near, mid, and longer terms.

In January 2022, the National Development and Reform Commission and other ministries and commissions jointly issued 《關於進一步提升電動汽車充電基礎設施服務保障能力的實施意見(發改能源規)[2022]53號》 (the Implementation Opinions on Further Improving the Service Capacity of Electric Vehicle Charging Infrastructure (NDRC Energy Regulation [2022] No. 53)\*). The document clearly states that by the end of the 14th Five-Year Plan period, China’s electric vehicle charging capacity should be further improved to form a moderately advanced, balanced, intelligent and efficient charging infrastructure system that can meet the charging needs of more than 20 million electric vehicles. It shows that the demand for charging infrastructure will continue to grow.

In 2022, facing the impacts of the pandemic, the domestic economy sustained a slow rate of growth in general, which demonstrated the toughness of Chinese economic development. During 2022, China issued various policies such as 《財政支持做好碳達峰碳中和工作的意見》 (the Opinions on Fiscal Support for Carbon Emission Peak and Carbon Neutral Work\*), 《科技支撐碳達峰碳中和實施方案(2022-2030)》 (the Implementation Plan for Science and Technology Support for Carbon Dioxide Peaking and Carbon Neutrality (2022-2030)\*) and 《工業領域碳達峰實施方案》 (the Implementation Plan for Carbon Peaking in the Industrial Sector\*) as well as the subsidies for the purchase of new energy vehicles, which increased the penetration rate of new energy vehicles substantially and contributed to the vigorous development of the industry chain of new energy vehicles in which the Group operates.

\* for identification purposes only

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In 2022, the COVID-19 pandemic continued to linger in China. With the promulgation of the 《新十條》 (Ten New Measures\*) on 7 December 2022, the pandemic prevention in China stepped into a new stage. During 2022, in order to stimulate the domestic economy which has been hit hard by the pandemic, the State Council's Standing Committee determined to encourage big-ticket items consumption and boost the development of green consumption. In the same year, various national departments issued a series of macroeconomic policies to further push forward the achievement of the goal of carbon peak and carbon neutrality, coupled with the high oil prices in the international markets, new energy vehicles have become the strongest growth engine of Chinese automotive industry in 2022.

On 14 December 2022, the Communist Party of China Central Committee and the State Council jointly released a guideline on expanding domestic demand and fostering a sound domestic demand system to promote its long-term development. The long-term goals extending to 2035 include seeing the scale of consumption and investment hit new levels and fully establishing a sound domestic demand system, said the guideline. To accomplish the long-term goals, the country aims to boost investment in consumption, optimize the distribution pattern, bolster the quality of supply, improve the market system and smoothen economic circulation during the 14th Five-Year Plan period (i.e. 2021-2025).

On 29 December 2022, a spokesperson for the Ministry of Commerce (“MOFCOM”) said MOFCOM will take proactive measures in collaboration with relevant ministries to restore and expand consumption and continuously strength the fundamental role of consumption in economic development. MOFCOM will reinforce and upgrade traditional consumption, for example, it will work to stabilize car consumption by supporting the sales and use of NEVs and vitalizing the used car market.

According to the statistics of the China Association of Automobile Manufacturers, in 2022, the production and sales of domestic new energy vehicles in the Chinese market were 7,058,000 units and 6,887,000 units respectively, representing a year-on-year increase of 96.9% and 93.45%, hitting a record high. The sales volume of new energy vehicles accounted for 25.6% of the aggregate sales volume of new vehicles. According to the data released by China Association of Automobile Manufacturers, in the first quarter of 2023, the cumulative production and sales of new energy vehicles reached approximately 1.7 million and 1.6 million, a year-on-year increase of approximately 27.7% and 26.7% from approximately 1.3 million and 1.3 million respectively.

The statistics of the China Electric Vehicle Charging Infrastructure Promotion Alliance indicated that the charging infrastructure increased by 2,593,000 units in 2022, of which, the public charging poles recorded an increase of 91.6% as compared to the corresponding period last year while the number of private charging poles built with the vehicles has been increasing, which recorded a year-on year increase of 225.5%. As of December 2022, the cumulative number of charging infrastructure across China amounted to 5,210,000 units, representing a year-on year increase of 99.1%. Furthermore, according to the data released by the China Electric Vehicle Charging Infrastructure Promotion Alliance, in first quarter of 2023, China's charging infrastructure increased by 632,000 units, rising 28.6% from the same period in 2022. By the end of March 2023, China had more than 5.84 million charging piles, surging 87.9% year on year.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With the policy support and market demand, the energy vehicles and charging infrastructure have both showed continuous growth in 2022.

Based on the PRC government policies to further push forward the achievement of the goal of carbon peak and carbon neutrality and the Plan 2021–2035 aims to build a green, robust, and internationally competitive auto industry in China, the demand for new energy vehicles and charging infrastructure will continue to grow. This would mean a positive development for the industry in which the Group operates. However, as stated in the “CHAIRMAN’S STATEMENT” in the 2022 Annual Report and we concur that, the complex and ever-changing international situation as well as the intensified competition in the charging infrastructure market will both cause uncertainties to the business prospects of the Group.

### 7. The Group’s business focuses and related plans for 2023 and prospects

The Company has set out the Group’s business focuses and related plans for 2023 in the 2022 Annual Report. To carry out the “Dual Carbon” strategy of “Carbon Peak and Carbon Neutrality” by the Communist Party of China Central Committee and the State Council, push forward the in-depth implementation of 《新能源汽車產業發展計劃 (2021-2035)》 (Development Plan of the New Energy Vehicle Industry (2021-2035)\*), promote the enhancement of electrification level of vehicles in the public sector and speed up the construction of green and low-carbon transportation system, eight departments, including the Ministry of Industry and Information Technology, issued 《關於組織開展公共領域車輛全面電動化先行區試點工作的通知》 (“Notice on Organizing the Pilot Work of Comprehensive Electrification of Vehicles in Public Areas”\*) (the “Notice”) on 3 February 2023. The Notice states clearly to initiate pilot works of comprehensive electrification of vehicles in public areas nationwide and the duration of pilot works will be from 2023 to 2025. This will increase the electrification level of vehicles substantially, of which, the electrification level of sectors such as urban public transport, taxis, sanitation, postal and express delivery and urban logistics and distribution in pilot areas will strive to achieve 80%. The Group will strive for the proportion of new public charging poles (standard poles) and the marketing quantity of new energy vehicles in public areas (standard vehicles) to reach 1:1. New technologies such as intelligent and orderly charging, high-power charging and quick charging shall be effectively expanded, and new technologies like the integration of vehicles and networks have been fully verified. Through the strengthening of the guidance of policies by various department, the industry chain of new energy vehicles will maintain rapid development in 2023.

With the implementation of the “Dual Carbon” national strategy, rapid construction of a new domestic power system and rapid development of the new energy vehicle industry, the electrical DC products, charging/battery replacement equipment for electric vehicles and energy storage related products will benefit from it. The Group hopes to seize this market opportunity which is continuous and rapid expanding and introduce stable strategic investors actively, so as to expand business scale and improve the corporate image of the Group.

\* for identification purposes only

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As provided in the 2022 Annual Report, the Group's business development plan is as follows:

### *1. Focus on principal businesses and expand the market*

In terms of DC power products, in addition to the existing traditional power channels such as State Grid and China Southern Power Grid, the Group will further explore market segments, expand new customer channels such as new energy wind power, subway and railway, so as to establish diversified user scenarios, explore diversified new markets vigorously and seize new opportunities.

In terms of charging products for electric vehicles, the Group's products possess a fully functional intelligent control system with digital rectifier power modules, which have many characteristics such as high conversion efficiency, flexible configuration and intelligent power distribution, and are enjoying a leading position in the industry. The Group continued to stabilize the high-power fast charging market and intelligent flexible charging market while expanding the power replacement market, especially for the electrification demands from heavy trucks, and explore customers from the battery-swap of heavy trucks by combining with the experience of the heavy truck battery swap project which has already been implemented in 2022, while promoting products integrated with photovoltaic, energy storage, charging and battery swap.

With the introduction of capital, the Group plans to expedite the orderly development of charging and battery swap equipment, new energy power storage and power quality management, and explore new business possibilities actively.

### *2. Improve technologies and quality to consolidate core competitiveness*

The Group emphasizes the continuous investment in innovation and research and development and commences key technology research on systems to innovate and upgrade current products continuously, in order to reserve new technologies in advance and enhance market adaptability in the future.

The Group will fully introduce advanced product quality planning (APQP) and strengthen the review of products in this process, so as to improve the quality of reviews of each process, establish a specific database of issues and make continuous improvements. In terms of specific products, the Group will further improve the continuous development and supply chain construction of new products such as battery swap equipment and energy storage equipment set, and continuously improve the applicability and stability of products.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. *Optimize internal management and improve comprehensive response capability*

The Group will enhance digital construction, especially to optimize the industrial and financial integration system continuously, improve and standardize historical data and ensure all kinds of business data to be monitored and controlled effectively, so as to assist the Group in adapting to the rapidly changing market environment efficiently through data management processes.

The Group will continue to establish a core competence system for the supply chain and further improve supply chain capacity by being customer-oriented and integrating resources as a means, so as to ensure supply, reduce costs and prevent risks.

The Group will develop a human resource support system that adapts resources with efficiency and deepen the assessment mechanism that combines Key Performance Indicators and Objectives and Key Results, in order to improve the overall quality and work efficiency of employees and build up an efficient team.

Furthermore, in the “CHAIRMAN’S STATEMENT” in the 2022 Annual Report, it is stated that looking forward to 2023, the pandemic will no longer be the stumbling stone on the Group’s development path and the penetration rate of new energy vehicles still demonstrate a general trend of rapid growth, as such, the industrial chain of the power industry and the electric vehicle charging business in which the Group operates will fully benefit from this. Furthermore, with the development of the 14th Five-Year Plan and the promotion of “Dual Carbon” strategy by China as well as the vigorous improvement of the pandemic prevention and control policies enable the industry in which the Group operates to enjoy promising prospects. However, the complex and ever-changing international situation as well as the intensified competition in the charging infrastructure market will both cause uncertainties, for this reason, the Group will not only focus on its principal businesses, but also explore new business possibilities actively.

As mentioned above, the PRC government policies to further push forward the achievement of the goal of carbon peak and carbon neutrality and the Plan 2021–2035 aims to build a green, robust, and internationally competitive auto industry in China, the demand for new energy vehicles and charging infrastructure will continue to grow. This would mean a positive development for the industry in which the Group operates. In addition, having Tangshan Guokong, which is a government-owned entity, and with the support of the Tangshan City government as stated in the Circular, the cooperation between the Company and Tangshan Guokong would be beneficial to the Group’s business development. However, the cooperation between the Company and Tangshan Guokong has not started and therefore the intended synergy effect has yet to be proven. As stated in the “CHAIRMAN’S STATEMENT” in the 2022 Annual Report and we concur that, the complex and ever-changing international situation as well as the intensified competition in the charging infrastructure market will both cause uncertainties to the business prospects of the Group.



**8. Information of the Offeror**

The Offeror is a company incorporated in Hong Kong principally engaged in promotion of technology and new energy development and utilization, and investment holding. It is wholly-owned by Tangshan Guokong which is in turn indirectly wholly-owned by 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission\*), a PRC government body.

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

We note that there is no direct similarity or overlapping of business between Tangshan Guokong and that of the Group. Based on the background information of the proposed Directors, namely, Mr. Gao Xia, Mr. Bi Jingfeng and Mr. Jiang Wenqi, it appears that they do not have immediate experience in managing similar business of the Group. As stated in the "LETTER FROM THE BOARD" in the Circular, Tangshan Guokong has the capital resources to achieve the national goals of dual carbon policy, new energy vehicle development strategy and circular economy development strategy, but requires the Company's expertise on product development, technologies and project implementation plans. On this basis, although the proposed Directors can contribute to the general business management knowledge and experience to the Group, they may not have the technical knowhow and knowledge to manage the business of the Group.

**9. Intention of the Offeror regarding the Group**

Upon Completion, the Offeror has become a controlling shareholder (as defined under the Listing Rules) of the Company. The Offeror considers and confirms that (a) it is intended that the Group will maintain the listing of its Shares on the Stock Exchange and continue with its existing business following the Completion; and (b) it has no intention to (i) introduce any major changes to the existing business of the Group or (ii) discontinue the employment of any of the Group's employees (except for proposed change to the composition of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code, as detailed in the section headed "PROPOSED CHANGE OF THE BOARD COMPOSITION" in the "LETTER FROM GUOTAI JUNAN CAPITAL" in this Composite Document, or (iii) redeploy the fixed assets of the Group other than in its ordinary course of business.

The Company has received the aggregate consideration under the Subscription Agreement (i.e. HK\$192,769,800) from the Offeror for, among others, investment as Completion took place. In the long run, the Offeror expects that the Company shall maintain its business and operation through its own generated revenue and cashflow and external financing. The Offeror would consider providing suitable guarantees for external financing of the Company to lower its financing costs when appropriate.

\* *for identification purposes only*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offeror intends to (i) retain certain Directors, including Mr. Li Xin Qing and Mr. An Wei, who are existing executive Directors, and the majority of the members of the senior management of the Group to continue to manage and operate the business of the Group; and (ii) recruit experts and consultants with relevant experience and expertise in relation to the principal business of the Group as members of the senior management of Tangshan Guokong to manage and supervise the business and operation of the Group.

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

Upon Completion, the Offeror has become the controlling Shareholder of the Company. Being a new Shareholder, it will need time and efforts to understand the business, management, corporate structure and culture, and other aspects of the Group. As such, other than the proposed Directors to be nominated by the Offeror, the Offeror may need some time to recruit suitable and appropriate experts and consultants with relevant experience and expertise in relation to the principal business of the Group as members of the senior management of Tangshan Guokong to manage and supervise the business and operation of the Group.

### **10. Proposed Change of the Board Composition**

The Board currently comprises two executive Directors, namely Mr. Li Xin Qing (Chairman of the Board) and Mr. An Wei (Chief Executive Officer of the Company); and three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng.

Pursuant to the Subscription Agreement and as a matter of good corporate governance, the Company will procure two existing independent non-executive Directors, namely Mr. Li Wan Jun and Mr. Pang Zhan who have been serving on the Board for over 14 and seven years respectively, to resign with effect from a date which is immediately after the first closing date of the Offers as required under Rule 7 of the Takeovers Code. As confirmed by the two to-be-resigned independent non-executive Directors, they have no disagreement with the Board.

As disclosed in the section headed "PROPOSED CHANGE OF THE BOARD COMPOSITION" in the "LETTER FROM GUOTAI JUNAN CAPITAL" in this Composite Document, the Offeror intends to nominate two executive Directors, one non-executive Director and two independent non-executive Directors to the Board. The Offeror intends to nominate the following proposed executive and non-executive Directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. The above appointments and resignations will be made as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The biographical information of the proposed Directors nominated by the Offeror can be referred to in the section headed "PROPOSED CHANGE OF THE BOARD COMPOSITION" in the "LETTER FROM GUOTAI JUNAN CAPITAL" in this Composite Document.

As at the Latest Practicable Date, the Offeror had not reached any final decision as to who would be nominated as the new independent non-executive Directors. Further announcement(s)/disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

### **11. Intention of the Offeror to maintain the listing status of the Company**

The Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- (a) false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

The sole director of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

Steps that may be taken include but are not limited to placing down of sufficient number of accepted Shares by the Offeror, or procuring the disposal of a sufficient number of Shares held by the Controlling Shareholder Group pursuant to the Irrevocable Undertakings, and/or procuring the issue of additional Shares by the Company for this purpose. Save for the arrangements under the Irrevocable Undertakings, no arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

**12. Analysis of the Share Offer Price**

*(a) Comparisons of Share Offer Price*

The Share Offer Price of HK\$0.34 is equal to the Subscription Price of the Subscription Shares under the Subscription Agreement. The Share Offer Price of HK\$0.34 per Offer Share represents:

- (i) a premium of approximately 7.94% over the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on 17 October 2022, being the last trading day prior to the date of the Subscription Agreement;
- (ii) a premium of approximately 3.03% over the closing price of HK\$0.330 per Share as quoted on the Stock Exchange on 18 October 2022, the Last Trading Day, being the date of the Subscription Agreement;
- (iii) a premium of approximately 5.92% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.321 per Share;
- (iv) a premium of approximately 4.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.325 per Share;
- (v) a premium of approximately 6.97% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.318 per Share; and
- (vi) a premium of approximately 5.78% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.321 per Share.

It is noted that the Share Offer Price represents premium over the closing prices of the Shares on the last trading day prior to the date of the Subscription Agreement and on the Last Trading Day, and the averages of the closing prices for the five, ten, thirty and sixty consecutive trading days up to and including the date of the Subscription Agreement.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

The Board considers that the basis in determining the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and entering into the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

In addition, the Share Offer Price of HK\$0.34 per Offer Share also represents:

- (i) a premium of approximately 3.03% over the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 1.49% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on 12 December 2022, being the date of the extraordinary general meeting of the Company convened to consider, among other things, the Subscription Agreement and the Whitewash Waiver;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) a premium of approximately 3.03% over the closing price of HK\$0.330 per Share as quoted on the Stock Exchange on 13 December 2022, being the date immediately after the publication of the results of the extraordinary general meeting of the Company convened to consider, among other things, the Subscription Agreement and the Whitewash Waiver;
- (iv) a premium of approximately 4.62% over the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on 11 May 2023, being the date of the Rule 3.5 Announcement;
- (v) a premium of approximately 6.58% over the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including 11 May 2023, being the date of the Rule 3.5 Announcement, of approximately HK\$0.319 per Share;
- (vi) a premium of approximately 6.58% over the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including 11 May 2023, being the date of the Rule 3.5 Announcement, of approximately HK\$0.319 per Share;
- (vii) a premium of approximately 5.81% over the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including 11 May 2023, being the date of the Rule 3.5 Announcement, of approximately HK\$0.321 per Share; and
- (viii) a premium of approximately 5.21% over the closing prices of the Shares as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including 11 May 2023, being the date of the Rule 3.5 Announcement, of approximately HK\$0.323 per Share;
- (ix) a discount of approximately 42.79% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.5943 per Share as at 31 December 2022, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB491,050,000 (equivalent to approximately HK\$549,721,809) as at 31 December 2022 and 925,056,000 Shares in issue immediately before Completion which took place on 11 May 2023, being the date of the Rule 3.5 Announcement;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (x) a discount of approximately 7.72% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.3684 per Share as at 31 December 2022, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB491,050,000 (equivalent to approximately HK\$549,721,809) as at 31 December 2022 and 1,492,026,000 Shares in issue immediately after Completion which took place on 11 May 2023, being the date of the Rule 3.5 Announcement and as at the Latest Practicable Date; and
- (xi) a discount of approximately 31.26% to the adjusted audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.4946 per Share, calculated based on the Group's latest audited consolidated net assets attributable to the Shareholders of approximately RMB491,050,000 (equivalent to approximately HK\$549,721,809) as at 31 December 2022 adjusted for the net proceeds received by the Company upon the Completion of approximately HK\$188.29 million and 1,492,026,000 Shares in issue immediately after Completion which took place on 11 May 2023, being the date of the Rule 3.5 Announcement and as at the Latest Practicable Date.

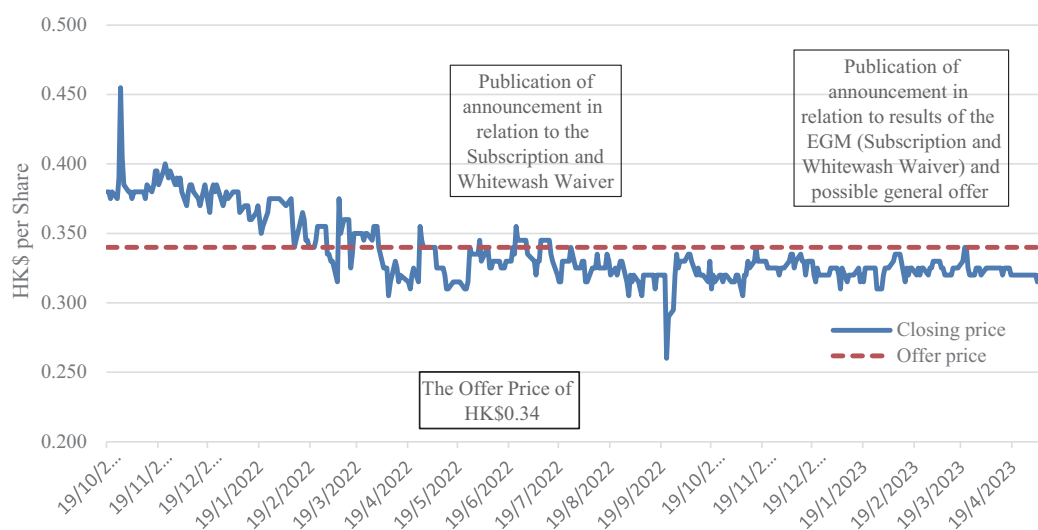
*For the purpose of the above comparisons, conversion of RMB into HK\$ in relation to the respective financial figures denominated in RMB is calculated at the approximate exchange rate of HK\$1 to RMB0.89327. This exchange rate is based on the central parity rate as at 30 December 2022 published by the People's Bank of China on its website. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute representation that any amounts were or may have been exchanged at such rate or any other rates.*

It is noted that the Share Offer Price represents premium over the closing prices of the Shares on the Latest Practicable Date, the date of the Rule 3.5 Announcement, and the averages of the closing prices for the five, ten, thirty and sixty consecutive trading days up to and including the date of the Rule 3.5 Announcement. However, the Share Offer Price represents a discount to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022 before and after taking into account the issue of the Subscription Shares upon Completion.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (b) *Historical price performance of the Shares*

Set out in the chart below are the daily closing prices of the Shares on the Stock Exchange during the period from 19 October 2021, being the date falling twelve (12) months preceding the Subscription Announcement, up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period is fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing prices of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Share Offer Price.



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

As shown in the chart above, the daily closing prices of the Shares ranged between HK\$0.455, recorded on 27 October 2021, and HK\$0.260, recorded on 22 September 2022, during the Review Period, with an average closing price of approximately HK\$0.337. The Share Offer Price represents a discount of approximately 25.3% to such highest closing price of HK\$0.455 on 27 October 2021, a premium of approximately 30.8% over such lowest closing price of HK\$0.260 on 22 September 2022 and a premium of approximately 0.8% over such average closing price of approximately HK\$0.337.

During the Review Period, other than the closing price of the Shares spike to a high of HK\$0.455 on 27 October 2021 and the drop to HK\$0.260 on 22 September 2022, the closing prices of the Shares were range-bound with a slight declining trend. We are unable to identify, any market news nor announcement of the Company which might have triggered the spike and drop on 27 October 2021 and 22 September 2022, respectively. Having made enquiry with the Company, the Management confirmed that they are not aware of any reason which could lead to aforesaid fluctuation of the closing prices of the Shares.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The closing price of the Shares was at or above the Share Offer Price until February 2022. In March 2022, the Share price started to close below the Share Offer Price, except that there were few days the Share price closed above the Share Offer Price when the profit alert announcement and the annual results announcement for the year ended 31 December 2021 were published by the Company on 14 March 2022 and 25 March 2022, respectively. The closing price of the Shares commenced an overall downward trend and was below the Share Offer Price for most of time since April 2022 and up to the Latest Practicable Date.

Having made enquiry with the Company with respect to the reason for the movement of the market price of the Shares, the Management confirmed that they are not aware of any reason which could lead to the movements of the closing price of the Shares during the Review Period.

**Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the market price of the Shares may increase or decrease from its closing price on the Latest Practicable Date.**

### (c) *Historical trading liquidity of the Shares*

The following table sets out the average daily trading volume (the “**Average Daily Trading Volume**”) of the Shares for each month or period and the percentages of such Average Daily Trading Volumes to the total issued Shares and the Shares held by Shareholders other than the Controlling Shareholder Group (the “**Public Shareholders**”) during the Review Period.

Month/Period	Number of trading days <i>(Note 1)</i>  <i>(Days)</i>	Monthly total trading volume  <i>(Number of Shares)</i>	Average Daily Trading Volume  <i>(Note 2)</i>  <i>(Number of Shares)</i>  <i>(approximate)</i>	Percentage of Average Daily Trading Volume to the total number of issued Shares  <i>(Note 3)</i>  <i>(%)</i>  <i>(approximate)</i>	Percentage of Average Daily Trading Volume to the Shares held by Public Shareholders  <i>(Note 4)</i>  <i>(%)</i>  <i>(approximate)</i>
<b>2021</b>					
19 to 31 October	9	39,666,000	4,407,333	0.48%	0.98%
November	22	22,342,000	1,015,545	0.11%	0.23%
December	22	10,704,000	486,545	0.05%	0.11%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Month/Period	Number of trading days <i>(Note 1)</i>  <i>(Days)</i>	Monthly total trading volume  <i>(Number of Shares)</i>	Average Daily Trading Volume  <i>(Note 2)</i>  <i>(Number of Shares)</i>  <i>(approximate)</i>	Percentage of Average Daily Trading Volume to the total number of issued Shares  <i>(Note 3)</i>  <i>(%)</i>  <i>(approximate)</i>	Percentage of Average Daily Trading Volume to the Shares held by Public Shareholders  <i>(Note 4)</i>  <i>(%)</i>  <i>(approximate)</i>
<b>2022</b>					
January	21	12,376,000	589,333	0.06%	0.13%
February	17	15,124,000	889,647	0.10%	0.20%
March	23	28,556,000	1,241,565	0.13%	0.28%
April	18	17,130,000	951,667	0.10%	0.21%
May	20	9,332,000	466,600	0.05%	0.10%
June	21	58,944,000	2,806,857	0.30%	0.63%
July	20	18,370,000	918,500	0.10%	0.20%
August	23	14,124,000	614,087	0.07%	0.14%
September	21	17,814,000	848,286	0.09%	0.19%
October	20	35,476,000	1,773,800	0.19%	0.40%
November	22	11,818,000	537,182	0.06%	0.12%
December	20	8,446,000	422,300	0.05%	0.09%
<b>2023</b>					
January	18	11,492,000	638,444	0.07%	0.14%
February	20	5,548,000	277,400	0.03%	0.06%
March	23	5,776,000	251,130	0.03%	0.06%
April	17	3,102,000	182,471	0.02%	0.04%
May	14	15,566,000	1,111,857	0.07%	0.25%

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

Notes:

1. Number of trading days of the Shares represents number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was halted.
2. The Average Daily Trading Volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
3. The calculation is based on the Average Daily Trading Volume of the Shares divided by the total number of the Shares in issue at the end of the relevant month/period.
4. The calculation is based on the Average Daily Trading Volume of the Shares divided by 448,403,511 Shares, being the number of Shares held by the Public Shareholders.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted from the above table, the Average Daily Trading Volume of the Shares as a percentage of the total issued Shares had been thin between October 2021 and May 2023, which ranged from approximately 0.02% to 0.48%. During the same period, the corresponding Average Daily Trading Volume of the Shares as a percentage of the total issued Shares held by Public Shareholders ranged from approximately 0.04% to 0.98%.

The trading volume of the Shares on 19 October 2022, the trading day after the publication of the Subscription Agreement, was 21,058,000 Shares, representing approximately 2.28% and 4.70% of the total issued Shares and the number of Shares held by the Public Shareholders, respectively. The trading volume on 19 October 2022 represents 2,068.6% of the trading volume of 1,018,000 Shares on 18 October 2022 and 118.2% of the total trading volume of the month of September 2022 of 17,814,000 Shares.

We noted that, during the Review Period, the highest daily trading volume of 22,822,000 Shares, representing approximately 2.47% and 5.09% of the total issued Shares and the number of Shares held by the Public Shareholders, was recorded on 1 June 2022. The trading volume on 1 June 2022 represents 4,134.4% of the trading volume of 552,000 Shares on 31 May 2022 and 244.6% of the total trading volume of the month of May 2022 of 9,332,000 Shares. Having made enquiry with the Company with respect to the reason for such movement of the trading volume of the Shares, the Management confirmed that they are not aware of any reason which could lead to such movements of the trading volume of the Shares.

We consider that the liquidity of the Shares was generally very thin during the Review Period. Given that the generally very thin liquidity of the Shares during the Review Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Public Shareholders to dispose of a significant number of the Shares in the open market without depressing the market price of the Shares. We therefore consider that the Share Offer provides the Public Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of part or all of their Shares at the Share Offer Price if they so wish.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (d) *Comparable analysis*

To further assess the fairness and reasonableness of the Share Offer Price where information is available, we have conducted a comparable analysis through identifying companies listed on the website of ET Net, Bloomberg Terminal and the Stock Exchange which are engaging in similar business of the Group (the “**Comparable Companies**”). In the selection of the Comparable Companies, our selection criteria focused on companies that are (i) listed on the Main Board of the Stock Exchange on the Latest Practicable Date; and (ii) principally engaged in the electric vehicle industry, including the manufacture and sales of electric products, power systems products, charging equipment and batteries for uses in electric vehicles (the “**Comparable Business**”); and (iii) under HK\$2.5 billion of market capitalization as at the Latest Practicable Date, which is comparable with the principal business of the Group. As there is only one Comparable Company with market capitalization close to that of the Company, in order to ensure that we have a meaningful number of Comparable Companies, we have selected the selection criteria of market capitalization of not more than HK\$2.5 billion, despite the market capitalization of the Company as at the Latest Practicable Date was only approximately HK\$492.4 million.

Based on the above selection criteria, we have identified 3 Comparable Companies as set out in the table below. We are of the view that the Comparable Companies have been exhaustively identified and form a fair, reasonable, appropriate and representative sample for the purpose of drawing a meaningful comparison to the Share Offer Price.

For comparison purpose, we have considered the price-to-earnings ratio (the “**P/E Ratio**”), which is the most commonly adopted valuation benchmark for valuation of companies. However, given that the Company reported consolidated net loss attributable to the Shareholders for FY2022, we are unable to conduct the comparison on P/E Ratio. We therefore considered the use of the price-to-revenue ratio (the “**P/S Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”) in our market comparable analysis as reference, details of which are set out below.

No.	Comparable Companies		Market	P/S Ratio	P/B Ratio
	(Stock code)	Principal business	capitalization (HK\$'million) <i>(approximate)</i>	(times) <i>(Note 1)</i>	(times) <i>(Note 2)</i>
1.	Wuling Motors Holdings Limited (305)	The principal activities of the group are manufacture and sale of vehicles' power supply systems, automotive components, power supply services and commercial vehicles assembly (including new energy vehicles).	2,440.6	0.2	1.1

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Comparable Companies (Stock code)	Principal business	Market	P/S Ratio	P/B Ratio
			capitalization (HK\$'million) (approximate)	(times) (Note 1)	(times) (Note 2)
2.	Chaowei Power Holdings Limited (951)	The principal activities of the group are manufacture and sale of lead-acid motive batteries and other related products which are primarily used in electric vehicles.	1,810.8	0.1	0.3
3.	Ev Dynamics (Holdings) Limited (476)	The principal activities of the group are manufacture and sale of electric vehicles, such as electric buses, entire electric power and control systems for uses in electric vehicles.	324.8	6.5	0.2
		Maximum		6.5	1.1
		Minimum		0.1	0.2
		Average		2.2	0.5
		Median		0.2	0.3
				<b>Implied</b>	<b>Implied</b>
				<b>P/S Ratio</b>	<b>P/B Ratio</b>
	<b>The Company</b>	The principal activities of the Group are (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer (BOT) arrangements.	507.3	1.3	0.7

*Notes:*

- The P/S Ratios of the Comparable Companies are calculated by dividing their respective market capitalization as at the Latest Practicable Date by their respective revenue for the financial year according to their respective latest available annual reports.

The implied P/S Ratio of the Company (the “**Implied P/S Ratio**”) is calculated by dividing its market capitalization based on 1,492,026,000 issued Shares upon Completion and the Share Offer Price by the revenue of the Group of approximately RMB344.8 million in FY2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- The P/B Ratios of the Comparable Companies are calculated by dividing their respective market capitalization as at the Latest Practicable Date by their respective audited/unaudited consolidated net asset attributable to owners of the company according to their respective latest annual report or interim report.

The implied P/B Ratio of the Company (the “**Implied P/B Ratio**”) is calculated by dividing its market capitalization based on 1,492,026,000 issued Shares upon Completion and the Share Offer Price by the audited consolidated net assets attributable to the Shareholders of approximately RMB491.1 million as at 31 December 2022 adjusted for the net proceeds received from the Subscription following the Completion.

- For the purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Comparable Companies and the Company denominated in RMB is calculated at the approximate exchange rate of HK\$1 to RMB0.89961. This exchange rate is based on the central parity rate as at 19 May 2023 published by the People’s Bank of China on its website. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute representation that any amounts were or may have been exchanged at such rate or any other rates.

We noted from the above table that:

- although the Implied P/S ratio of approximately 1.3 times is lower than the average P/S Ratio of the Comparable Companies of approximately 2.2 times, it is (i) within the range of the P/S Ratios of the Comparable Companies from approximately 0.1 times to 6.5 times; and (ii) higher than the median P/S Ratio of the Comparable Companies of approximately 0.2 times; and
- the Implied P/B Ratio of approximately 0.7 times is (i) within the range of the P/B Ratios of the Comparable Companies from approximately 0.2 times to approximately 1.1 times; and (ii) higher than the average P/B Ratio of the Comparable Companies of approximately 0.5 times and the median P/B Ratio of the Comparable Companies of approximately 0.3 times,

accordingly, we are of the view that the Share Offer Price is fair and reasonable so far as the Offer Shareholders are concerned.

We consider an offer price comparable analysis using other general offer transactions would not be meaningful in our consideration as such analysis overlooks certain crucial factors, including but not limited to, the difference of valuation, business environment and outlook among different industries. There were no general offers involving any companies listed on the Main Board of the Stock Exchange engaging in the Comparable Business within one year prior to the Latest Practicable Date for us to make any meaningful comparison and thus assess the fairness and reasonableness of the Share Offer Price.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### The Option Offer

As at the Latest Practicable Date, under the Share Option Scheme, there were 66,260,000 Options outstanding, of which 54,240,000 Options are currently not yet vested and/or exercisable, and will automatically be vested and exercisable if the Share Offer becomes unconditional. Mr. Li Xin Qing and Mr. An Wei who in aggregate hold 1,200,000 Options have given the Irrevocable Undertakings not to exercise the Options before the close of the Offers.

Given that the exercise prices of the outstanding Options (being HK\$0.445 and HK\$0.343 per Option) are higher than the Share Offer Price of HK\$0.34, and are therefore out-of-the-money, the Option Offer Price for the cancellation of each of the Offer Options is a nominal cash amount of HK\$0.0001.

We consider that the Option Offer Price of a nominal value of HK\$0.0001 for the cancellation of each Offer Option is fair and reasonable so far as the Offer Optionholders are concerned.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular,

- (i) the Share Offer Price of HK\$0.34 is equal to the Subscription Price of the Subscription Shares under the Subscription Agreement;
- (ii) although the Group recorded increasing trend in revenue during the past three financial years, namely FY2020, FY2021 and FY2022, the Group had fluctuations in its bottom line where it recorded net loss for FY2020, and although the Group reported net profit for FY2021, it recorded net loss for FY2022, which suggest that the Group is operating in a challenging business environment;
- (iii) the Board's view that the potential synergy effect of the Company and the Offeror that may beneficially enhance the Group's performance, market position and business image, and at the same time, the cooperation with Tangshan Guokong will achieve complementary advantages, but the cooperation has not started and therefore the intended synergy effect has yet to be proven;
- (iv) there is no direct similarity or overlapping of business between Tangshan Guokong and that of the Group and based on the background information of the proposed Directors, it appears that they do not have immediate experience in managing similar business of the Group and Tangshan Guokong requires the Company's expertise on product development, technologies and project implementation plans in its new energy industry development;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) the PRC government policies to further push forward the achievement of the goal of carbon peak and carbon neutrality and the Plan 2021–2035 aims to build a green, robust, and internationally competitive auto industry in China, the demand for new energy vehicles and charging infrastructure will continue to grow;
- (vi) the complex and ever-changing international situation as well as the intensified competition in the charging infrastructure market will both cause uncertainties to the business prospects of the Group;
- (vii) the Shares have long been traded with a deep discount to the net asset value of the Company throughout the Review Period;
- (viii) the liquidity of the Shares during the Review Period has been, in our view, generally thin. Such low level of liquidity would suggest that any sale of a significant number of the Shares in the market may result in downward pressure on the market price of the Shares. The Share Offer provides an assured exit alternative for the Public Shareholders, particularly those who hold a large number of Shares, to realize part of or all of their investments in the Shares at the Share Offer Price if they so wish;
- (ix) the Implied P/S Ratio and the Implied P/B Ratio of the Share Offer Price are within the respective range of the P/S Ratios and P/B Ratios of the Comparable Companies, and higher than the respective median of the P/S Ratios and P/B Ratios of the Comparable Companies; and
- (x) the exercise prices of the Options are higher than the Share Offer Price and the Options are out-of-the-money,

we are of the opinion that the terms of the Offers are fair and reasonable so far as the Offer Shareholders and Offer Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Offer Shareholders to accept the Share Offer and the Offer Optionholders to accept the Option Offer.

For those Offer Shareholders who intend to accept the Share Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Share Offer.



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

For those Offer Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

For those Offer Shareholders who are attracted by or confident in the prospects of the Group with the Offeror as the controlling Shareholder of the Company may consider to retain their Shares in full or in part.

Yours faithfully,  
for and on behalf of

**CHINA SUNRISE CAPITAL LIMITED**

**Larry Chan**  
*Managing Director*

**Keith Ho**  
*Vice President*

*Mr. Larry Chan and Mr. Keith Ho are licensed persons registered with the SFC and as responsible officers of China Sunrise Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and have over 30 years and over 7 years of experience in corporate finance industry respectively. \* for identification purposes only*

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFERS

*To accept the Offers, you should complete and sign the relevant accompanying Form(s) of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form(s) of Acceptance which forms part of the terms of the Offers.*

### I. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "China Titans Energy Technology Group Co., Limited – Share Offer" on the envelope as soon as possible and in any event by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:
  - a. lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

<b>APPENDIX I      FURTHER TERMS OF ACCEPTANCE OF THE OFFERS</b>
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- b. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
  - c. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - d. if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given should be provided to the Registrar.

<b>APPENDIX I      FURTHER TERMS OF ACCEPTANCE OF THE OFFERS</b>
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- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself and other document(s) of title (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or Guotai Junan Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Share Offer Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- a. accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of your Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g., a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - b. from a registered Offer Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - c. certified by the Registrar or the Stock Exchange.
- (g) If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Offer Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFERS

- (h) Seller's ad valorem stamp duty (rounded up to the nearest HK\$1) payable by the Offer Shareholders who accept the Share Offer and calculated at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Offer Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Offer Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares tendered for acceptance will be given.
- (j) If the Share Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar, lodged with **WHITE** Form of Share Offer Acceptance will be returned to the relevant Offer Shareholders who have accepted the Share Offer by ordinary post as soon as possible but in any event within ten (10) days after the Share Offer has lapsed.

## II. COURSES OF ACTION AVAILABLE TO THE OPTIONHOLDERS

You may take any of the following courses of action with respect to your outstanding Options:

- (a) to the extent any of your outstanding Options are not exercised on or prior to the Closing Date, you may accept the Option Offer in accordance with its terms (as set out in this Composite Document and the **PINK** Form of Option Offer Acceptance) and receive the Option Offer Price (if the Offers become or are declared unconditional in all respects) by returning the duly completed and signed **PINK** Form of Option Offer Acceptance enclosed together with the relevant document(s) as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, to the company secretary of the Company at Suite 2703, 27/F, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong marked "China Titans Energy Technology Group Co., Limited – Option Offer" on the envelop;

- (b) you may in accordance with the terms of the Share Option Scheme exercise some or all of outstanding vested Options (to the extent not already exercised), by submitting a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the company secretary of the Company no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and the Shares issued as a result of the exercise of such Options will be subject to and eligible to participate in the Share Offer. Please refer to details in this Composite Document for the details of the Share Offer and the acceptance thereof; or
- (c) you may do nothing, and in which case, if the Offers become unconditional in all respects, unexercised Options will lapse automatically after the Closing Date and you will not receive the Option Offer Price.

**III. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OPTION OFFER**

- (a) To accept the Option Offer, you should complete and sign the accompanying **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) If you are an Optionholder and you wish to accept the Option Offer in respect of your Options, you must send the duly completed and signed **PINK** Form of Option Offer Acceptance together with the relevant certificate(s), document(s) of title in respect of the Options, and/or other document(s) (if applicable) evidencing the grant of the Options to you (and/or satisfactory indemnity or indemnities required in respect thereof) for your holding of Options (or if applicable, for not less than the number of Options in respect of which you intend to accept the Option Offer), by post or by hand, to the company secretary of the Company at Suite 2703, 27/F, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong marked “China Titans Energy Technology Group Co., Limited – Option Offer”, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code. However, no Option shall be capable of acceptance if at the time of acceptance such Option has lapsed.

<b>APPENDIX I      FURTHER TERMS OF ACCEPTANCE OF THE OFFERS</b>
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- (c) If the relevant certificate(s), document(s) of title in respect of your Options, and/or other document(s) (if applicable) evidencing the grant of the Options to you (and/or satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer in respect of your Options, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered to the Company together with a letter stating that you have lost one or more of your option certificate(s) (if applicable) or that it/they is/are not readily available. If you subsequently find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your option certificate(s) and/or document(s) of title in respect of your Options (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
  
- (d) If the relevant certificate(s), document(s) of title in respect of your Options, and/or other document(s) (if applicable) evidencing the grant of the Options to you (and/or satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Options to the extent exercisable as indicated in paragraph (b) of the section headed "II. Courses of action available to the Optionholders" of this Appendix above, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Closing Date; and (ii) the relevant **WHITE** Form of Share Offer Acceptance must reach the Company on or before 4:00 p.m. on the Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
  
- (e) No stamp duty will be deducted from the amount paid or payable to the Optionholder who accepts the Option Offer.
  
- (f) No acknowledgment of receipt of any **PINK** Form of Option Offer Acceptance, certificate(s) of the Options (if applicable) and/or any other document(s) of title (and/or any satisfactory indemnity/indemnities required in respect thereof) in respect of the Options will be given.
  
- (g) If the Option Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, relevant certificate(s), document(s) of title in respect of the Options, and/or other document(s) (if applicable) evidencing the grant of the Options to you (and/or satisfactory indemnity or indemnities required in respect thereof), lodged with **PINK** Form of Option Offer Acceptance, received by the company secretary of the Company will be returned to you by ordinary post as soon as possible but in any event within ten (10) days after the Option Offer has lapsed.

**IV. SETTLEMENT OF THE OFFERS**

**i. The Share Offer**

- (a) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Offer Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to such Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) business days following the later of (i) the date of receipt by the Registrar of the duly completed acceptances of the Share Offer and all relevant document(s) of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date the Share Offer becomes or is declared unconditional.
- (b) Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.
- (c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

**ii. The Option Offer**

- (a) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid **PINK** Form of Option Offer Acceptance and the relevant option certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the Option Offer, payment of the consideration for the Options surrendered for cancellation under the Option Offer will be made to the Company as the agent of the Offer



Optionholders, by cheque(s) drawn in the name of the Company which will be delivered to the Company's principal place of business in Hong Kong at Suite 2703, 27/F, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong or, at the election of the Offeror, by wire transfer to the bank account of the Company, and the Company will transfer any payment received to respective Offer Optionholders by issue of cheque or wire transfer, in each case, within seven (7) business days following the later of (i) the date of receipt by the company secretary of the Company of the duly completed acceptances of the Option Offer and all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Option Offer becomes or is declared unconditional in all respects.

- (b) Settlement of the consideration to which any accepting Offer Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Optionholder.

**V.      ACCEPTANCE PERIOD**

- (a) Unless the Offers have previously been extended with the consent of the Executive, to be valid, the Forms of Acceptance must be received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offers are extended, the Offeror and the Company will issue an announcement in relation to any extension of the Offers, which announcement will state either the next closing date or, a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offers are closed to those Offer Shareholders and Offer Optionholders who have not accepted the relevant Offers.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

VI. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Offers. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offers have been extended, have expired or have become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

Such announcement must state the following:

- (i) the total number of Shares and Options for which acceptances of the Offers have been received;
- (ii) the total number of Shares and Options held, controlled or directed by the Offeror and/or parties acting in concert with it before the Offer Period;
- (iii) the total number of Shares and Options acquired or agreed to be acquired during the Offer Period by the Offeror and/or parties acting in concert with it; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company in which the Offeror or any parties acting in concert with it has borrowed or lent, saved for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by the number of securities as referred to in (i) to (iv) above.

- (b) In computing the total number of Shares and Options for which acceptances of the Offers have been received, only valid acceptances that are complete and in good order which have been received by the Registrar (in respect of Share Offer) or the company secretary of the Company (in respect of Option Offer) no later than 4:00 p.m. on the Closing Date, and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, being the latest time and date for acceptance of the Offers, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

## **VII. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Offer Shareholders and Offer Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) or (c) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph (a) of the section headed “VI. ANNOUNCEMENT” of this Appendix above, the Executive may, pursuant to Rule 19.2 of the Takeovers Code, require that acceptors of the Offers who have tendered acceptances of the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) In compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw his/her/its acceptance of the Offers after twenty one (21) days from the Closing Date if the Offers have not by then become unconditional as to acceptance.

In such case, when the Offer Shareholders and/or Offer Optionholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or the certificate(s) of the Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Offer Shareholders and/or Offer Optionholders at his/her/its own risks.

## **VIII. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

The Offers will be made available to all the Offer Shareholders and Offer Optionholders, including the Overseas Shareholders and the Overseas Optionholders. The availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and Overseas Optionholders who wish to accept the Share Offer and/or the Option Offer (as the case may be) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such Overseas Shareholders and Overseas Optionholders in respect of the acceptance of the Offers in such jurisdictions).

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFERS

Any acceptance by any Overseas Shareholders or Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders or Overseas Optionholders to the Offeror that such Overseas Shareholders and Overseas Optionholders have observed and are permitted under all applicable laws and regulations to receive and accept the Offers and that such Overseas Shareholders and Overseas Optionholders have obtained all requisite governmental, exchange control or other consents and have made all requisite regulations and filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payments due from such Overseas Shareholders and Overseas Optionholders in connection with such acceptance in such jurisdiction, and the such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

### IX. NOMINEE REGISTRATION

To ensure equality of treatment of all Offer Shareholders and Offer Optionholders, those Offer Shareholders and Offer Optionholders who hold Shares and Options as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares and Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regard to the Offers.

### X. TAX IMPLICATIONS

Offer Shareholders and Offer Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance or rejection of the Offers that may be applicable in relevant jurisdictions. It is emphasized that none of the Offeror or parties acting in concert with it, the Company, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offers.

### XI. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificates, transfer receipts (as the case may be), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Offer Shareholders and the Offer Optionholders or their designated agents will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Guotai Junan Capital, Guotai Junan Securities, China Sunrise and any of their respective directors nor the Registrar or the company secretary of the Company or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFERS

- (b) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, Guotai Junan Securities, the Registrar or such person or persons as the Offeror may direct, to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares or the Options in respect of which such person or persons has/have accepted the Offers.
- (f) Due execution of the Form(s) of Acceptance will constitute the appointment of the Offeror and/or Guotai Junan Securities as the attorney of the person or persons accepting the Offers in respect of all the Share(s) to which the Form(s) of Acceptance relate(s).
- (g) Due execution of the Form(s) of Acceptance will constitute an agreement of the Offer Shareholders and Offer Optionholders to ratify each and every act or thing which may be done or effected by the Offeror and/or Guotai Junan Securities and/or the Company or their respective agent(s) or such person or persons as any of them may direct on the exercise of any of the rights contained therein.
- (h) Acceptance of the Offers by any Offer Shareholders or Offer Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror, Guotai Junan Capital and the Company that their Shares or Options under the Offers (as the case maybe) are sold to the Offeror free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including, in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. As at the Latest Practicable Date, there is no unpaid dividend and the Company has no intention to make, declare or pay any future dividend/distribution until the close of the Offers.

<b>APPENDIX I      FURTHER TERMS OF ACCEPTANCE OF THE OFFERS</b>
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- (i) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Options held by such nominee for such beneficial owner who is accepting the Offers.
- (j) Any Offer Shareholder or Offer Optionholder accepting the Share Offer and/or the Option Offer, respectively, will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (k) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension thereof.
- (l) All acceptance, instructions, authorities and undertakings given by the Offer Shareholders and Offer Optionholders in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (m) In making their decision, the Offer Shareholders and Offer Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with each of them, Guotai Junan Capital, Guotai Junan Securities, China Sunrise, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Offers. The Offer Shareholders and Offer Optionholders should consult their own professional advisers for professional advice.
- (n) The English text of this Composite Document and the Forms of Acceptance shall prevail over the respective Chinese text for the purpose of interpretation.

## 1. FINANCIAL INFORMATION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

The audited consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the financial statements, of the Group for each of the three years ended 31 December 2020, 2021 and 2022 (collectively, the “**Financial Statements**”) are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.titans.com.cn](http://www.titans.com.cn)).

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

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

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

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

Annual report for the year ended 31 December 2022 (pages 94 to 200):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042500531.pdf>

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

## 2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated results of the Group for each of the years ended 31 December 2020, 2021 and 2022 as extracted from the annual reports of the Company:

### Consolidated statement of profit or loss and other comprehensive income for the three years ended 31 December 2022

	For the year ended 31 December		
	2022	2021	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	344,848	337,344	275,592
Cost of revenue	(234,529)	(222,923)	(207,328)
Gross profit	110,319	114,421	68,264
Other revenue and income	8,941	11,342	13,070
Selling and distribution expenses	(56,205)	(46,685)	(48,946)
Administrative and other expenses	(64,317)	(68,114)	(59,029)
Other gains and losses	260	4,083	(595)
Reversal of impairment losses/ (impairment losses) of financial assets	(12,939)	12,448	5,142
Share of results of associates	2,396	4,234	2,040
Financial costs	(9,726)	(10,260)	(11,226)
(Loss)/profit before tax	(21,271)	21,469	(31,280)
Income tax (expense)/credit	2,670	(4,141)	1,069
(Loss)/profit for the year	<u>(18,601)</u>	<u>17,328</u>	<u>(30,211)</u>

	For the year ended 31 December		
	2022	2021	2020
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
<b>Other comprehensive (expense)/ income for the period</b>			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value (loss)/gain on financial assets at fair value through other comprehensive income	(3,894)	(1,622)	(1,768)
Income tax relating to items that will not be reclassified subsequently to profit or loss	77	208	105
	<u>(3,817)</u>	<u>(1,414)</u>	<u>(1,663)</u>
Other comprehensive (expense)/income for the period, net of income tax	<u>(3,817)</u>	<u>(1,414)</u>	<u>(1,663)</u>
Total comprehensive (expense)/income for the period	<u>(22,418)</u>	<u>15,914</u>	<u>(31,874)</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company	(18,227)	18,595	(29,622)
– Non-controlling interests	(374)	(1,267)	(589)
	<u>(18,601)</u>	<u>17,328</u>	<u>(30,211)</u>
Total comprehensive (expense)/income for the period attributable to:			
– Owners of the Company	(22,044)	17,181	(31,285)
– Non-controlling interests	(374)	(1,267)	(589)
	<u>(22,418)</u>	<u>15,914</u>	<u>(31,874)</u>
<b>(LOSS)/EARNINGS PER SHARE</b>			
Basic (RMB)	<u>(1.97 cents)</u>	<u>2.01 cents</u>	<u>(3.20 cents)</u>
Diluted (RMB)	<u>(1.97 cents)</u>	<u>2.01 cents</u>	<u>(3.20 cents)</u>

Save as disclose, there were no material items of income or expense in any of the years ended 31 December 2020, 31 December 2021 and 31 December 2022.



There are no interim statements or preliminary announcement made by the Company since the last published audited accounts of the Company (namely, its annual report for the year ended 31 December 2022). Save for the Offers, there have been no other significant events of the Company after 31 December 2022.

The auditor of the Company for each of the years ended 31 December 2020, 2021 and 2022 was SHINEWING (HK) CPA Limited. The audit opinions of SHINEWING (HK) CPA Limited in respect of these periods were not qualified and there were no modified opinions or emphasis of matter or material uncertainty related to going concern contained in auditor's report of SHINEWING (HK) CPA Limited in respect of these periods.

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

### 3. INDEBTEDNESS

#### **Statement of Indebtedness**

At the close of business on 28 February 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

#### ***Bank and other borrowings***

As at 28 February 2023, the Group had total borrowings with a carrying amount of approximately RMB163.0 million, comprising (i) approximately RMB131.7 million of secured and guaranteed bank borrowings; (ii) approximately RMB23.5 million of unsecured and guaranteed bank borrowings; and (iii) approximately RMB7.8 million of secured and guaranteed other borrowings.

As at 28 February 2023, secured bank borrowings of approximately RMB131.7 million of the Group were secured by its ownership interests in land and buildings, right-of-use assets and certain trade receivables with carrying values of approximately RMB0.9 million, RMB7.0 million and RMB118.4 million, respectively.

As at 28 February 2023, secured bank borrowings comprising (i) approximately RMB78.5 million were guaranteed by the Company and the Directors; and (ii) approximately RMB76.7 million were guaranteed by the Directors.

As at 28 February 2023, other borrowings of approximately RMB7.8 million of the Group were pledged with its ownership interests in patents and fully guaranteed by the Directors.

As at 28 February 2023, the Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB162.2 million.

As at 28 February 2023, the Group's bank borrowings with carrying amount of approximately RMB39 million are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 28 February 2023, none of the covenants relating to drawn down facilities had been breached.

#### *Pledge of Assets*

As at 28 February 2023, the Group's ownership interests in land and buildings, right-of-use assets, patents and certain trade receivables were pledged in favour of bank to secure banking facilities and other borrowings granted to the Group. Except for the pledge regarding the banking facilities and other borrowings granted to the Group, the Group did not pledge any of its assets as securities for the banking facilities and other borrowings granted to the Group as at 28 February 2023.

#### *Lease liabilities*

As at 28 February 2023, the Group had no lease liabilities.

#### *Capital commitments and contingent liabilities*

As at 28 February 2023, the Group had a capital commitment of approximately RMB9.2 million in respect of the establishment of associates.

Corporate guarantees given by the Group to banks to secure the bank borrowings granted to subsidiaries as at 28 February 2023 amounted to approximately RMB78.5 million. As at 28 February 2023, the Group had contingent liabilities in respect of a financial guarantee of approximately RMB230.0 million for the banking facility granted to subsidiaries.

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

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 28 February 2023, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 28 February 2023 up to and including the Latest Practicable Date.

#### **4. NO MATERIAL CHANGE**

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

**I. RESPONSIBILITY STATEMENTS**

The sole director of the Offeror and the directors of Tangshan Guokong jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**II. DISCLOSURE OF INTERESTS AND DEALINGS AS REQUIRED BY THE TAKEOVERS CODE**

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the 566,970,000 Subscription Shares (representing approximately 38.00% of the existing issued share capital of the Company) subscribed by the Offeror pursuant to the Subscription Agreement and is currently owned by the Offeror, neither the Offeror, nor any person acting in concert with the Offeror owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the Company, or hold any relevant securities in the Company, and had not dealt with for value any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (ii) the sole director of the Offeror was not interested in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities and had not dealt for value any relevant securities in the Company during the Relevant Period;
- (iii) save for the Subscription Agreement and the Irrevocable Undertakings, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (iv) neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

- (v) save for the Irrevocable Undertakings, neither the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept or reject the Offers;
- (vi) save as disclosed in this sub-paragraph, no one giving Irrevocable Undertaking, owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;

Shareholders	Number of Shares held	Approximate% of the Shares in issue
Mr. Li Xin Qing	200,000	0.01%
Rich Talent Management Limited ( <i>Note 1</i> )	7,985,418	0.54%
Genius Mind Enterprises Limited ( <i>Note 2</i> )	197,724,457	13.25%
Mr. An Wei	400,000	0.03%
Great Passion International Limited ( <i>Note 3</i> )	187,884,457	12.59%
Honor Boom Investments Limited ( <i>Note 4</i> )	82,458,117	5.53%

*Notes:*

- Rich Talent Management Limited is held as to 50% by Mr. Li Xin Qing and as to 50% by Mr. An Wei.
- Genius Mind Enterprises Limited is wholly-owned by Mr. Li Xin Qing.
- Great Passion International Limited is wholly-owned by Mr. An Wei.
- Honor Boom Investments Limited is owned by Mr. Li Xiao Bin as to 40%, Ms. Ou Yang Fen as to 30% and Mr. Cui Jian as to 30%.

Optionholders	Number of Options held	Exercise Period	Exercise Price per Share
Mr. Li Xin Qing	200,000	1 June 2022 to 31 December 2023	HK\$0.445
	200,000	1 June 2023 to 31 December 2024	HK\$0.445
	200,000	1 June 2024 to 31 December 2025	HK\$0.445

Optionholders	Number of Options held	Exercise Period	Exercise Price per Share
Mr. An Wei	200,000	1 June 2022 to 31 December 2023	HK\$0.445
	200,000	1 June 2023 to 31 December 2024	HK\$0.445
	200,000	1 June 2024 to 31 December 2025	HK\$0.445

- (vii) no one giving the Irrevocable Undertaking, had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities or exercised any Options during the Relevant Period;
- (viii) save for the Subscription Agreement and the Irrevocable Undertakings, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholders and (b) the Offeror and any parties acting in concert with it;
- (ix) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers;
- (x) save for the Subscription Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any parties acting in concert with it and any Directors, recent Directors of the Company, Shareholders or recent Shareholders having any connection with or dependent upon the Offers;
- (xi) save for the Subscription Agreement, none of the Offeror or parties acting in concert with it has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers; and
- (xii) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

## III. MARKET PRICE

The table below shows the closing prices of Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last business day immediately preceding the date of the Subscription Announcement; (iii) the last business day immediately preceding the date of the Rule 3.5 Announcement; (iv) the last trading day of the Shares on the Stock Exchange before the publication of the Rule 3.5 Announcement; and (v) the Latest Practicable Date:

Date	Closing Price HK\$
29 April 2022	0.340
31 May 2022	0.335
30 June 2022	0.335
29 July 2022	0.325
31 August 2022	0.320
30 September 2022	0.330
17 October 2022 (being the last business day immediately preceding the date of the Subscription Announcement)	0.315
31 October 2022	0.315
30 November 2022	0.325
30 December 2022	0.325
31 January 2023	0.320
28 February 2023	0.325
31 March 2023	0.320
28 April 2023	0.320
10 May 2023 (being the last business day immediately preceding the date of the Rule 3.5 Announcement)	0.315
11 May 2023 (being the last trading day of the Shares on the Stock Exchange before the publication of the Rule 3.5 Announcement)	0.325
19 May 2023 (being the Latest Practicable Date)	0.330

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.260 per Share (on 22 September 2022) and HK\$0.355 per Share (on 26 April 2022 and 23 June 2022), respectively.

#### IV. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of expert to the Offeror, who has given opinion or advice contained in this Composite Document.

Name	Qualification
Guotai Junan Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in respect of the Offers

Guotai Junan Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

#### V. GENERAL

- (i) The registered office of the Offeror is located at Suite 4018, 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (ii) The sole director of the Offeror is Mr. Gao Xia and the directors of Tangshan Guokong are Mr. Gao Xia, Mr. Bi Jingfeng and Mr. Tao Chen.
- (iii) The principal members of the Offeror's concert group are the Offeror, Tangshan Guokong and its ultimate beneficial owner, 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission\*) ("**Tangshan SASAC**").
- (iv) The registered office of Tangshan Guokong is located at Room 3001, Block C, Jindao Building, Caofeidian Industrial Zone, Caofeidian District, China (Hebei) Pilot Free Trade Zone, the PRC. The registered office of Tangshan SASAC is located at No. 7 Xishan Road, Lubei District, Tangshan City, the PRC.
- (v) The registered address of each of Guotai Junan Capital and Guotai Junan Securities is 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
- (vi) In the event of inconsistency, the English texts of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts.



**VI. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of (i) the Company ([www.titans.com.cn](http://www.titans.com.cn)); and (ii) the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this Composite Document up to and including the Closing Date or the date on which the Offers lapse or are withdrawn (whichever is earlier):

- (a) the articles of association of the Offeror;
- (b) the "Letter from Guotai Junan Capital", the text of which is set out on pages 8 to 22 of this Composite Document;
- (c) the written consent from the expert referred to under the section headed "IV. QUALIFICATION AND CONSENT OF EXPERT" in this Appendix III of this Composite Document; and
- (d) the Irrevocable Undertakings.

**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror and the directors of Tangshan Guokong) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. SHARE CAPITAL AND SHARE OPTIONS****(a) Share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>	<i>HKD</i>
10,000,000,000 Shares of HKD0.01 each	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
1,492,026,000 Shares of HKD0.01 each	<u>14,920,260</u>

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

Save for the Subscription Shares, no new Shares had been issued since 31 December 2022, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

**(b) Share Options**

As at the Latest Practicable Date, the Company had 66,260,000 outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company on 18 December 2020. Among the 66,260,000 outstanding share options, 12,020,000 share options were exercisable as at the Latest Practicable Date and 54,240,000 share options would only become exercisable on or after 1 June 2023.

Details of the outstanding share options as at the Latest Practicable Date are as follows:

Date of grant	Vesting period	Exercise period	Exercise price per Share	Number of share options
23 July 2021	23 July 2021 to 31 December 2021	1 June 2022 to 31 December 2023	HK\$0.445	12,020,000
23 July 2021	From 1 January 2022 to 31 December 2022	1 June 2023 to 31 December 2024	HK\$0.445	12,020,000
23 July 2021	From 1 January 2023 to 31 December 2023	1 June 2024 to 31 December 2025	HK\$0.445	12,020,000
15 July 2022	From 15 July 2022 to 14 July 2023	15 July 2023 to 14 July 2024	HK\$0.343	15,100,000
15 July 2022	From 15 July 2022 to 14 July 2024	15 July 2024 to 14 July 2025	HK\$0.343	15,100,000

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

**(c) Listing**

The Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor in any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

**3. DISCLOSURE OF INTERESTS**

**(a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register

required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or which were required to be disclosed under the Takeovers Code were as follows:

Name of Director	Nature of interest (Note 1)	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 (Note 2)	13.79%
	Beneficial owner	800,000 (Note 3)	0.05%
Mr. An Wei	Interest of controlled corporations	195,869,875 (Note 4)	13.13%
	Beneficial owner	1,000,000 (Note 5)	0.07%

*Notes:*

- (1) All interests in Shares were long positions.
- (2) The entire issued share capital of Genius Mind Enterprises Limited (“**Genius Mind**”) is beneficially owned by Mr. Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. Among 197,724,457 Shares, a total of 40,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited (“**Rich Talent**”), a company which shareholding is owned as to 50% by him.
- (3) Of these 800,000 Shares, 600,000 Shares are share options granted by the Company on 23 July 2021.
- (4) The entire issued share capital of Great Passion International Limited is beneficially owned by Mr. An Wei who is deemed to be interested in 187,884,457 Shares held by Great Passion International Limited by virtue of the SFO. Among 187,884,457 Shares, a total of 20,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent, a company which shareholding is owned as to 50% by him.
- (5) Of these 1,000,000 Shares, 600,000 Shares are share options granted by the Company.

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

**(b) Interests of substantial shareholders in the securities of the Company**

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

Name	Nature of interest (Note 1)	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*) (Note 2)	Interest of controlled corporation	566,970,000	38.00%
Ms. Zeng Zhen (Note 3)	Interest of spouse	206,509,875	13.84%
Genius Mind (Note 4)	Beneficial owner	197,724,457	13.25%
Ms. Yan Kai (Note 5)	Interest of spouse	196,869,875	13.19%
Great Passion (Note 6)	Beneficial owner	187,884,457	12.59%
Broad-Ocean Motor (Hong Kong) Co. Limited (Note 7)	Beneficial owner	84,096,000	5.64%
Zhongshan Broad-Ocean Motor Co., Ltd. (Note 7)	Interest of controlled corporation	84,096,000	5.64%
Mr. Lu Chuping (Note 7)	Interest of controlled corporation	84,096,000	5.64%
Honor Boom Investments Limited (Note 8)	Beneficial owner	82,458,117	5.53%
Mr. Li Xiao Bin (Note 8)	Interest of controlled corporation	82,458,117	5.53%
	Beneficial owner (Notes 9 and 10)	3,740,000	0.25%
Ms. Zhang Lina (Note 11)	Interest of spouse	83,598,117	5.60%

\* For identification purpose only

*Notes:*

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

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

\* For identification purpose only

**(c) Interests discloseable under Schedule II to the Takeovers Code**

As at the Latest Practicable Date:

- (i) the Company did not hold any relevant securities in the Offeror and no Director was interested in any relevant securities in the Offeror, and the Company and Directors had not dealt for value in any relevant securities in the Offeror during the Relevant Period;
- (ii) save as disclosed in the paragraph headed "3. Disclosure of Interests" in this Appendix IV, no Director was interested in any relevant securities in the Company and none of them had dealt for value in any relevant securities in the Company during the Relevant Period;
- (iii) no (i) subsidiary of the Company, (ii) pension fund of the Company or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held, owned or controlled any relevant securities in the Company;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (v) no relevant securities in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vi) save for the Irrevocable Undertakings, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers;
- (vii) no relevant securities in the Company were borrowed or lent by any of the Directors or by the Company or by the Offeror or parties acting in concert with it;
- (viii) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owner or any parties acting in concert with any of them on one hand and the Company or any party acting in concert with it on the other hand;

- (ix) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder; and the Company, its subsidiaries or associated companies;
- (x) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (xi) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (xii) there is no material contract entered into by the Offeror or parties acting in concert with it in which any Director had a material personal interest.

#### 4. DIRECTORS' SERVICE CONTRACTS

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

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

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

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



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

## 5. LITIGATION

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

## 6. MATERIAL CONTRACT

Within the two (2) years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, save for the Subscription Agreement, neither the Company nor any of its subsidiaries has entered into any material contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries.

## 7. EXPERT QUALIFICATION AND CONSENT

The following is the name and qualification of the expert who has given opinion or advice which is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
China Sunrise	a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

China Sunrise has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

## 8. MISCELLANEOUS

- (i) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business of the Company in Hong Kong is Suite 2703, 27/F, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong.

- (ii) The Hong Kong branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, which is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iii) The registered office of China Sunrise is at Unit 4513, 45/F, The Center, 99 Queen's Road Central, Hong Kong.
- (iv) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese text.

## 9. DOCUMENTS ON DISPLAY

Copies of the following documents are available for on display (1) on the website of the Company at [www.titans.com.cn](http://www.titans.com.cn); and (2) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Composite Document onwards for so long as the Offers remain open for acceptance:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three financial years ended 31 December 2020, 2021 and 2022;
- (iii) the "Letter from the Board", the text of which is set out from pages 23 to 27 of this Composite Document;
- (iv) the "Letter from the Independent Board Committee", the text of which is set out from pages 28 to 29 of this Composite Document;
- (v) the "Letter from the Independent Financial Adviser", the text of which is set out from pages 30 to 68 of this Composite Document;
- (vi) the service contracts referred to in the section headed "4. DIRECTORS' SERVICE CONTRACTS" in this Appendix IV of this Composite Document;
- (vii) the Subscription Agreement referred to in the section headed "5. MATERIAL CONTRACT" in this Appendix IV of this Composite Document;
- (viii) the written consent from the expert referred to in the section headed "7. EXPERT QUALIFICATION AND CONSENT" in this Appendix IV of this Composite Document; and
- (ix) this Composite Document and the accompanying Forms of Acceptance.