

18 October 2024

To: *The Independent Board Committee and
the Independent Shareholders of
VPower Group International Holdings Limited*

Dear Sirs or Madams,

**(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION;
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equipment Purchase Agreement, the Equipment Lease Framework Agreement, the EPC Services Framework Agreement, the ETS Supply Framework Agreement and the transactions contemplated thereunder and the Proposed Caps (including the Leasing Proposed Caps, the EPC Proposed Caps and the ETS Proposed Caps) (together as the “**Transactions**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 October 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement of the Company dated 4 September 2024, on 4 September 2024 (after trading hours), CNTIC Capital as Buyer 1, CNTIC as Buyer 2 for itself and on behalf of its subsidiaries or associates and VGH, VH and VML as Sellers entered into the Equipment Purchase Agreement, pursuant to which, (i) Buyer 1 agreed to purchase the Equipment Batch 1 and VGH agreed to sell the Equipment Batch 1 on an “as is” and “where is” basis for a price of the US\$ equivalent of RMB610,488,119 (approximately HK\$671,537,000) (as finally determined based on the Appraised Value of the Equipment); (ii) Buyer 2 agreed for itself and on behalf of its subsidiaries or associates to purchase the Equipment Batch 2 and each of the Sellers agreed to sell the Equipment Batch 2 on an “as is” and “where is” basis for an aggregate price of RMB660,811,889 (approximately HK\$726,893,000) (as finally determined based on the Appraised Value of the Equipment); and (iii) Buyer 2 further agreed for itself and on behalf of its subsidiaries or associates to purchase the Last Batch Equipment which comprises certain sub-batches of equipment, and VGH and VH further agreed to sell the Last Batch Equipment on an “as is” and “where is” basis for an aggregate price of RMB341,668,962 (approximately HK\$375,836,000) (as finally determined based on the Appraised Value of the Last Batch Equipment) upon fulfilment of further conditions.

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On 4 September 2024 (after trading hours), CNTIC Capital as the Lessor Entity and the Company as the Lessee Entity entered into the Equipment Lease Framework Agreement, pursuant to which the parties agreed that, subject to the Leasing Proposed Caps, the Equipment Purchase Agreement and the transactions contemplated under the Equipment Lease Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, and at the request of the Company (by itself or on behalf of other members of the Group), the Lessor Entity for itself, or on behalf of any of its subsidiaries or any of its associate(s) against which it shall procure the entering of such leases, shall lease the Lease Equipment, as may be agreed from time to time, to the Lessee Entity (or any such other member of the Group) in accordance with the terms of the relevant Equipment Lease Agreement(s).

On 4 September 2024 (after trading hours), CNTIC as the supplier and the Company as the purchaser entered into the EPC Services Framework Agreement, pursuant to which, subject to the EPC Proposed Caps and the transactions contemplated under the EPC Services Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, and at the request of the Company (by itself or on behalf of the other members of the Group), CNTIC (for itself or on behalf of the other members of the CNTIC Group) agreed to provide, and the Company (for itself and on behalf of the Group) has agreed to procure the EPC Services from time to time, subject to the terms of the EPC Services Framework Agreement.

Reference is made to the announcement of the Company dated 23 May 2024 in relation to, among other things, the Gen-sets Supply Framework Agreement entered into between VH and CNTIC for the supply of the gen-sets by VH to CNTIC for the twelve months ending 22 May 2025. For the better management of the transactions between the Group and the CNTIC Group and in view of CNTIC's demand for procurement of equipment and related accessories and technical services in relation to its engineering project business, on 4 September 2024 (after trading hours), CNTIC (as purchaser), the Company (as supplier) and VH (as former supplier) entered into the ETS Supply Framework Agreement, pursuant to which (i) subject to the ETS Proposed Caps and the transactions contemplated under the ETS Supply Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, the Company (for itself and on behalf of the Group) may provide the Equipment and Technical Services to the CNTIC Group from time to time; and (ii) VH and CNTIC agreed to terminate the Gen-sets Supply Framework Agreement on the Date of Shareholders' Approval for ETS.

As at the Latest Practicable Date, as CNTIC is the controlling Shareholder and CNTIC Capital is a 95% owned subsidiary of CNTIC, and therefore an associate of CNTIC under Rule 14A.13(1) of the Listing Rules, both CNTIC and CNTIC Capital are connected persons of the Company under the Listing Rules. As such, the transactions contemplated under the Equipment Purchase Agreement constitute connected transactions under Chapter 14A of the Listing Rules and the transactions contemplated under and the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Equipment Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal for the Company and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for each of the Leasing Proposed Caps and the EPC Proposed Caps is more than 5%, the transactions contemplated under the Equipment Lease Framework Agreement and the EPC Services Framework Agreement constitute non-exempted continuing connected transactions which are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules before the Existing Annual Cap is exceeded and/or the ETS Supply Framework Agreement effecting a material change to the terms under the Gen-sets Supply Framework Agreement. As one or more of the applicable percentage ratios for the ETS Proposed Caps, which are applicable to the ETS Supply Framework Agreement which replaces the Gen-sets Supply Framework Agreement, is more than 5%, the transactions contemplated under the ETS Supply Framework Agreement constitute non-exempted continuing connected transactions which are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have not acted as an independent financial adviser and not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Transactions, and accordingly, are eligible to give independent advice and recommendations on the Transactions. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Suen Wai Yu, Dr. Wang Zheng and Dr. Lin Tun, has been established to advise the Independent Shareholders in respect of (i) the terms of the Equipment Purchase Agreement, the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement are on normal commercial terms that are fair and reasonable; (ii) the Proposed Caps (including the Leasing Proposed Caps, the EPC Proposed Caps and the ETS Proposed Caps) are fair and reasonable; (iii) the continuing connected transactions contemplated under the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and

the ETS Supply Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group; and (iv) the connected transactions contemplated under the Equipment Purchase Agreement and the continuing connected transactions contemplated under the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement are in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the Valuation Reports and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report 2024**”). We have also discussed with the Directors and the management of the Company with respect to the terms of and the basis and assumptions adopted in the Valuation Reports and the reasons for and benefits of the Transactions. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

(a) Background of the Group

The Company is an investment holding company. The Group is a gen-set system design and integration service provider and an engine-based distributed power stations owner and operator. The Group's principal businesses include (i) system integration (i.e. designing, integrating and selling gen-sets and power generation systems) ("SI"); and (ii) investment, building and operating business (i.e. designing, investing in, building and operating distributed power stations for off-takers) ("IBO").

(b) Financial performance of the Group

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2022 ("FY2022") and 31 December 2023 ("FY2023") respectively as extracted from the Annual Report 2023 and for the six months ended 30 June 2023 ("HY2023") and 30 June 2024 ("HY2024") respectively as extracted from the Interim Report 2024:

	FY2022 <i>approximately</i> <i>HK\$'000</i> <i>(audited)</i>	FY2023 <i>approximately</i> <i>HK\$'000</i> <i>(audited)</i>	HY2023 <i>approximately</i> <i>HK\$'000</i> <i>(unaudited)</i>	HY2024 <i>approximately</i> <i>HK\$'000</i> <i>(unaudited)</i>
Revenue				
SI	1,945,437	675,322	590,141	345,074
IBO	<u>1,415,888</u>	<u>822,321</u>	<u>407,982</u>	<u>471,493</u>
Total revenue	<u><u>3,361,325</u></u>	<u><u>1,497,643</u></u>	<u><u>998,123</u></u>	<u><u>816,567</u></u>
Gross profit	661,878	46,158	136,366	140,549
Loss before taxation	(316,199)	(2,855,002)	(345,469)	(131,574)
Loss for the year/period attributable to the owners of the Company	(316,852)	(2,853,972)	(327,704)	(138,599)

FY2022 vs FY2023

The revenue of the Group was approximately HK\$1,497.64 million for FY2023, representing a decrease of approximately HK\$1,863.69 million or 55.4%, as compared with the revenue of approximately HK\$3,361.33 million for FY2022. According to the Annual Report 2023, such decrease was attributable to (i) the decrease in revenue of SI projects of approximately HK\$1,270.12 million as a result of the decrease in sales of engine-based generating units to one of the major customers in Asia; and (ii) the decrease in revenue of IBO projects of approximately HK\$593.57 million, which was mainly due to the ongoing curtailment of business presence in Myanmar resulting in a decrease in electricity generation, the deconsolidation of the financial performance of the project in Peru since mid-2022, and the reduction in electricity generation of the project in the United Kingdom.

Due to the reduction in revenue, the gross profit of the Group decreased by approximately HK\$615.72 million or 93.0% from approximately HK\$661.88 million for FY2022 to HK\$46.16 million for FY2023.

The loss attributable to the owners of the Company increased by approximately HK\$2,537.12 million or 800.7% from approximately HK\$316.85 million for FY2022 to approximately HK\$2,853.97 million for FY2023. Such increase was mainly due to (i) the decrease in gross profit as mentioned above; (ii) the increase in impairment of trade receivables of approximately HK\$1,092.81 million as result of the impairment of the overdue trade receivables due from subsidiaries of a joint venture of the Company; and (iii) the increase in loss shared from joint ventures of approximately HK\$507.17 million mainly as a result of the deteriorated financial performance of a joint venture of the Company, which was principally engaged in the development and operation of three power generation projects in Myanmar.

HY2023 vs HY2024

The revenue of the Group was approximately HK\$816.57 million for HY2024, representing a decrease of approximately HK\$181.55 million or 18.2%, as compared with the revenue of approximately HK\$998.12 million for HY2023. According to the Interim Report 2024, such decrease was the combined effect of (i) the decrease of revenue of SI projects of approximately HK\$245.07 million as a result of the adoption of a stricter project and customer selection criteria and accordingly fewer sales orders; and (ii) the increase in revenue of IBO projects of approximately HK\$63.51 million as a result of the contribution of the new power station in Indonesia and the increased generation of the power stations in Brazil, which was partly offset by the decrease in revenue from the power station in Myanmar.

Despite the decrease in revenue, the gross profit of the Group increased by approximately HK\$4.18 million or 3.1% from approximately HK\$136.37 million for HY2023 to approximately HK\$140.55 million for HY2024. The increase in gross profit was mainly due to improvement of the gross profit margin of SI business in HY2024.

The loss attributable to the owners of the Company decreased by approximately HK\$189.10 million or 57.7% from approximately HK\$327.70 million for HY2023 to approximately HK\$138.60 million for HY2024. Such decrease was mainly due to (i) the increase in gross profit as mentioned above; (ii) the decrease in administrative expenses of approximately HK\$45.90 million as a result of the decrease in demobilisation expenses and depreciation charge; (iii) the decrease in other expenses of approximately HK\$71.94 million as a result of the reduction in write-down of inventories to net realizable value; and (iv) the turnaround of the loss shared from joint venture from approximately HK\$63.69 million for HY2023 to profit of approximately HK\$4.11 million for HY2024 as no further loss from the joint venture in respect of the Group's investment in Myanmar was recorded for HY2024.

(c) *Financial position of the Group*

Set out below is the consolidated statement of financial position of the Group as at 31 December 2023 and 30 June 2024 respectively as extracted from the Interim Report 2024:

	As at 31 December 2023 <i>approximately HK\$'000 (audited)</i>	As at 30 June 2024 <i>approximately HK\$'000 (unaudited)</i>
Non-current assets		
Property, plant and equipment	2,177,427	2,036,928
Right-of-use assets	35,920	44,834
Other intangible assets	8,997	8,935
Interests in joint ventures	991,780	882,195
Deposits and other receivables	54,169	48,240
Deferred tax assets	<u>20,807</u>	<u>17,173</u>
Total non-current assets	<u>3,289,100</u>	<u>3,038,305</u>
Current assets		
Inventories	1,029,465	832,227
Trade and bills receivables	1,616,207	1,680,195
Prepayments, deposits, other receivables and other assets	141,368	168,629
Derivative financial instruments	—	13,520
Tax recoverable	591	582
Restricted cash	12,259	12,290
Pledged deposits	1,100	783
Cash and cash equivalents	131,233	253,216
Assets held for sale	<u>14,304</u>	<u>—</u>
Total current assets	<u>2,946,527</u>	<u>2,961,442</u>
Total assets	<u><u>6,235,627</u></u>	<u><u>5,999,747</u></u>

	As at 31 December 2023 <i>approximately</i> <i>HK\$'000</i> <i>(audited)</i>	As at 30 June 2024 <i>approximately</i> <i>HK\$'000</i> <i>(unaudited)</i>
Current liabilities		
Trade and bills payables	518,638	561,187
Other payables and accruals	753,481	1,012,499
Contract liabilities	233,777	266,130
Derivative financial instruments	6,508	—
Interest-bearing bank and other borrowings	2,717,007	2,332,208
Lease liabilities	13,016	15,803
Tax payable	4,808	5,488
Provision for restoration	<u>5,205</u>	<u>4,774</u>
Total current liabilities	<u>4,252,440</u>	<u>4,198,089</u>
Non-current liabilities		
Other payables	1,259	1,006
Interest-bearing bank and other borrowings	50,194	42,132
Lease liabilities	42,392	48,122
Provision for restoration	279	666
Deferred tax liabilities	<u>5,553</u>	<u>4,535</u>
Total non-current liabilities	<u>99,677</u>	<u>96,461</u>
Total liabilities	<u><u>4,352,117</u></u>	<u><u>4,294,550</u></u>
Net current liabilities	(1,305,913)	(1,236,647)
Net assets	1,883,510	1,705,197
Current ratio	0.7	0.7
Net gearing ratio	139.2%	123.6%

As shown in the above table, we note that the total assets and total liabilities of the Group do not have material increase or decrease between 31 December 2023 and 30 June 2024. However, we note that, as at 30 June 2024, the Group had total interest-bearing bank and other borrowings of approximately HK\$2,374.34 million but only had cash and cash equivalents of approximately HK\$253.22 million. The Group may not have sufficient financial resources to repay its debt as the Group was in net current liabilities position of approximately HK\$1,236.65 million and the current ratio was 0.7 as at 30 June 2024. Furthermore, the Group also had a high net gearing ratio of approximately 123.6% as at 30 June 2024.

According to the Annual Report 2023, the auditors of the Company have raised material uncertainty related to going concern of the Company. During FY2023, the Group failed to meet certain repayment schedules and/or loan covenants of some bank and other borrowings and no waiver of the non-compliance was obtained from the relevant lending banks or lenders as of 31 December 2023. According to the Interim Report 2024, no waivers have been obtained from the relevant banks for the late repayment of outstanding loan amounts and non-compliance with certain loan covenants. The Directors are undertaking a number of plans and measures to improve the Group's liquidity and financial position as follows:

- (i) materialising the disposal of power generation fixed assets and inventory to the controlling shareholder of the Company to obtain proceeds for loan repayments and as working capital;
- (ii) utilising the business resources of the controlling shareholder of the Company and other business partners to accelerate new project execution for revenue generation;
- (iii) continuing the discussion with the banks on extending repayment schedules of certain outstanding bank loans and implementing refinancing arrangements;
- (iv) implementing measures to speed up the collection of outstanding trade and other receivables;
- (v) considering divestment of certain non-current assets; and
- (vi) exploring other debt or equity financing arrangements.

As stated in the Interim Report 2024, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements in the Interim Report 2024.

As at the Latest Practicable Date, the Company is still in discussion with the banks and creditors for the extension of repayment schedules and the refinancing plan.

After considering the going concern issue of the Group, in particular that (i) the Group was in net current liabilities position as at 30 June 2024; (ii) the Group had a high gearing ratio as at 30 June 2024; (iii) the Group has failed to meet certain repayment schedules and/or loan covenants of some banks and other borrowings; and (iv) no waivers of the non-compliance have been obtained from the relevant lending banks or lenders as at the Latest Practicable Date, we concur with the view of the Directors that disposal of certain fixed assets can provide immediate fund for the Group to repay part of its loan and debts and will improve Group's liquidity and financial position.

2. Background of CNTIC and CNTIC Capital

CNTIC is a company established under the laws of the PRC with limited liability and a wholly owned subsidiary of Genertec which is under the direct supervision of Central SASAC. Its principal business includes, among other things, import and export of technology, goods and technical services, foreign contract projects and contract energy management.

CNTIC Capital is a company incorporated in Hong Kong with limited liability and a 95% owned subsidiary of CNTIC. Its principal business includes, among other things, overseas investment asset management, engineering contracting work management and trading of electrical equipment.

3. Background of VGH, VH and VML

VGH is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company that is primarily engaged in the provision of distributed power solutions.

VH is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company that is primarily engaged in investment holding, trading of engines and components, and sale and installation of power generation systems.

VML is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company that is primarily engaged in the provision of distributed power solutions in Myanmar.

4. Principal terms of the Equipment Purchase Agreement

The principal terms of the Equipment Purchase Agreement are set out as follows:

Date

4 September 2024 (after trading hours)

Parties

- (i) CNTIC Capital, as Buyer 1;
- (ii) CNTIC, as Buyer 2 for itself and on behalf of its subsidiaries or associates;
- (iii) VGH, as a Seller;
- (iv) VH, as a Seller; and
- (v) VML, as a Seller.

Subject matter

Subject to the terms and conditions of the Equipment Purchase Agreement,

- (i) Buyer 1 agreed to purchase the Equipment Batch 1 and VGH agreed to sell the Equipment Batch 1 on an “as is” and “where is” basis for a price of the US\$ equivalent of RMB610,488,119 (approximately HK\$671,537,000) (as finally determined based on the Appraised Value of the Equipment);
- (ii) Buyer 2 agreed for itself and on behalf of its subsidiaries or associates to purchase the Equipment Batch 2 and each of the Sellers agreed to sell the Equipment Batch 2 on an “as is” and “where is” basis for an aggregate price of RMB660,811,889 (approximately HK\$726,893,000) (as finally determined based on the Appraised Value of the Equipment); and
- (iii) Buyer 2 further agreed for itself and on behalf of its subsidiaries or associates to purchase the Last Batch Equipment which comprises certain sub-batches of equipment, and VGH and VH further agreed to sell the Last Batch Equipment on an “as is” and “where is” basis for an aggregate price of RMB341,668,962 (approximately HK\$375,836,000) (as finally determined based on the Appraised Value of the Last Batch Equipment) upon fulfilment of further conditions as set out in the section headed “4. Principal terms of the Equipment Purchase Agreement — Last Batch Equipment Closing” below.

Price and Last Batch Equipment Price

The Price of RMB1,271,300,008 (approximately HK\$1,398,430,000), of which RMB610,488,119 (approximately HK\$671,537,000) shall be paid in the US\$ equivalent, being the sum of the Equipment Batch 1 Price and the Equipment Batch 2 Price (as finally determined in accordance with the section headed “4. Principal terms of the Equipment Purchase Agreement — Price Adjustment” below), shall be paid by the Buyers on the Closing Date.

The Last Batch Equipment Price of RMB341,668,962 (approximately HK\$375,836,000) (as finally determined based on the Appraised Value of the Last Batch Equipment) is the aggregate price of the sub-batches of the Last Batch Equipment. The purchase price of a sub-batch of the Last Batch Equipment shall be paid by Buyer 2 (and/or its subsidiaries and/or associates) on the relevant closing date(s) according to the Last Batch Equipment Purchase Notice.

The Price and the Last Batch Equipment Price were determined after arm's length negotiations among the parties to the Equipment Purchase Agreement with reference to the aggregate valuation of the Equipment and Last Batch Equipment of RMB1,612,968,970 (approximately HK\$1,774,266,000) as at 30 June 2024, being the effective date of the Valuation, based on the Valuation Reports. The Price and the Last Batch Equipment Price (as finally determined based on the Appraised Value of the Equipment and the Last Batch Equipment) shall be settled by way of banker's cheque or cashier's order drawn from a bank or by telegraphic transfer to a designated account as directed by the Sellers.

Price Adjustment

Within 30 days after the date of the Equipment Purchase Agreement, each of the Sellers shall use reasonable best efforts to obtain and deliver to the Buyers the Revised Draft Valuation Reports. Upon mutual confirmation and acceptance of the Revised Draft Valuation Reports, such Revised Draft Valuation Reports shall be designated as the Valuation Reports.

To the extent that the Price and the Last Batch Equipment Price deviates from its Appraised Value, the parties shall make adjustments to the Price and the Last Batch Equipment Price and agree to adjust and fix the Final Price to align with the Appraised Value of the Equipment and the Last Batch Equipment. On this basis, the Final Price (being the sum of the Price and the Last Batch Equipment Price) is RMB1,612,968,970 (approximately HK\$1,774,266,000), which is the Appraised Value of the Equipment and the Last Batch Equipment.

Conditions

The obligation of the parties to the Equipment Purchase Agreement to consummate the sale and purchase of the Equipment and the Last Batch Equipment, if applicable, is subject to the satisfaction (or waiver in writing by the Buyers, where applicable) of each of the following conditions:

- (i) each of the representations, warranties and covenants of each of the Sellers contained in the Equipment Purchase Agreement shall have been true, accurate and complete in all material aspects when made and shall be true, accurate and complete in all material aspects on and as of the Closing Date and the respective Last Batch Equipment Closing Date (as may be applicable) with the same effect as though such representations, warranties and covenants had been made on and as of the Closing Date and the respective Last Batch Equipment Closing Date (as may be applicable), except in either case for those warranties that address matters only as of a particular date, which warranties will have been true and complete as of such date;

- (ii) each of the Sellers shall have entered into and delivered the Transaction Documents in the form and substance satisfactory to the Buyers;
- (iii) each of the Sellers shall have obtained or made the Necessary Approvals and such Necessary Approvals as may be required to transfer and assign the registered, legal and beneficial ownership interest in the Equipment and the Last Batch Equipment (if applicable) in full to the Buyers, and further that all such Necessary Approvals shall remain valid, unconditional (wherein any conditions related to the Necessary Approvals shall be customary and acceptable to the Buyers at their discretion) and effective up to and including the time immediately prior to the Closing Date and the respective Last Batch Equipment Closing Date (as may be applicable) and have not been revoked, terminated or suspended;
- (iv) each of the Sellers shall have completed and finalised the itemised appraisal of the Equipment and the Last Batch Equipment from a reputable appraisal firm approved by the Buyers, the Draft Valuation Reports and the Valuation Reports shall be mutually agreed by the parties to the Equipment Purchase Agreement and delivered to the Buyers prior to the issuance of the Circular;
- (v) the necessary resolutions on the approval of the execution and delivery of the Transaction Documents and the performance of the obligations by each of the Sellers thereunder shall have been duly approved by the Board and the Independent Shareholders (as the case may be) at the EGM in accordance with the applicable requirements under the Listing Rules in respect of the transactions contemplated under the Transaction Documents, with such resolutions not having been revoked or vitiated;
- (vi) the shareholders of each of the Sellers shall have duly adopted written resolutions approving its execution and delivery of the Transaction Documents and the performance of its obligations thereunder in respect of the transactions contemplated under the Transaction Documents that may be applicable to such Seller, with such resolutions not having been revoked or vitiated;
- (vii) the board of directors of each of the Sellers shall have duly resolved to approve its execution and delivery of the Transaction Documents and the performance of its respective obligations thereunder, with such resolutions not having been revoked or vitiated; and
- (viii) the Buyers shall have obtained all necessary approvals (including but not limited to approvals and/or filings required by state-owned asset supervision and administration regulations and approval of the board and shareholders of the Buyers) to authorise and approve the execution and delivery of the Equipment Purchase Agreement and consummation of the Disposal.

If any conditions above cannot be satisfied (or waived, where applicable) on or before the Long Stop Date (which had been agreed by the parties to the Equipment Purchase Agreement as 30 November 2024 as at the Latest Practicable Date), the parties to the Equipment Purchase Agreement shall discuss in good faith whether the Disposal will be proceeded or not.

The parties to the Equipment Purchase Agreement shall use their respective best endeavors to procure the fulfilment of the above conditions. If any of the Buyers or any of the Sellers is aware of any fact, matters, event and/or circumstance, which may cause any obstruction to fulfilment of the above conditions, it shall notify the other parties immediately in writing accordingly. The above conditions (iii), (iv), (v), (vi) and (vii) are not waivable.

As at the Latest Practicable Date, save for conditions precedent (iv), (vi) and (vii) having been fulfilled, none of the above conditions had been fulfilled or waived.

Closing

The Closing shall take place on a date to be mutually agreed between the parties in writing within six months from the satisfaction (or waiver in writing by the relevant Buyer, where applicable) of the conditions as set out in the section headed “4. Principal terms of the Equipment Purchase Agreement — Conditions” in the following manner:

- (i) VGH shall deliver to Buyer 1 the duly signed bill of sale in respect of the Equipment Batch 1; and
- (ii) VGH, VH and VML shall deliver to Buyer 2 (and/or its subsidiaries and/or associates) the duly signed bill of sale in respect of the Equipment Batch 2,

or in such other manner as the Buyers and the Sellers may mutually agree in writing. On the Closing Date, the parties shall exchange original documents evidencing the fulfilment of conditions whereupon the Buyers shall effect payment of the Price. For the avoidance of doubt, unless otherwise agreed between the parties to the Equipment Purchase Agreement, the Closing shall take place simultaneously in respect of all of the Equipment owned by the Sellers.

Last Batch Equipment Closing

The Last Batch Equipment Closing shall be conditional upon (a) the satisfaction (or waiver in writing by Buyer 2 (and/or its subsidiaries and/or associates)), of the conditions mentioned under the section headed “4. Principal terms of the Equipment Purchase Agreement — Conditions”, other than the conditions (iv) to (vii) which need not be repeated after the Closing; (b) each of the relevant Sellers having transported the relevant Last Batch Equipment to Indonesia, Singapore or Hong Kong or such other warehouses or sites as may be designated by the Buyers pending the Last Batch Equipment Closing; and (c) further specific approval in respect of the purchase of sub-batch(es) of the Last Batch Equipment (in such mutually agreed

configuration) obtained by Buyer 2 (and/or its subsidiaries and/or associates) upon its evaluation of the information with respect to such sub-batch(es) of the Last Batch Equipment as may be provided by VGH and/or VH (the “**Last Batch Closing Conditions**”). Upon fulfilment of the Last Batch Closing Conditions, Buyer 2 (and/or its subsidiaries and/or associates) shall complete the purchase of such Last Batch Equipment as approved for purchase in accordance with the following terms:

- (i) Purchase of Last Batch Equipment by Buyer 2 (and/or its subsidiaries and/or associates) may be completed in multiple transactions, provided that sale and purchase of a sub-batch of the Last Batch Equipment (in such mutually agreed configuration) must be completed in whole but not in part.
- (ii) On or before the seventh Business Days before the Last Purchase Date, Buyer 2 (and/or its subsidiaries and/or associates) shall, upon obtaining its further specific approval, issue the Last Batch Equipment Purchase Notice, whereupon within seven Business Days of the date of such Last Batch Equipment Purchase Notice:
 - (a) VGH or VH shall deliver the duly signed bill of sale in respect of the relevant sub-batch(es) of the Last Batch Equipment to Buyer 2 (and/or its subsidiaries and/or associates) in accordance with the Last Batch Equipment Purchase Notice; and
 - (b) Buyer 2 (and/or its subsidiaries and/or associates) shall pay the relevant sub-batch(es) of the Last Batch Equipment Price on the Last Batch Equipment Closing Date,

upon which the relevant sub-batch(es) of the Last Batch Equipment Closing in respect of the relevant Last Batch Equipment as specified in such Last Batch Equipment Purchase Notice shall be completed.

The title to the relevant sub-batch(es) of the Last Batch Equipment shall be transferred to Buyer 2 (and/or its subsidiaries and/or associates) upon the occurrence of the Last Batch Equipment Closing in respect of such sub-batch(es) of Last Batch Equipment.

In the event that further specific approval to purchase any part or all of the Last Batch Equipment cannot be obtained from Buyer 2 (and/or its subsidiaries and/or associates) before the Last Purchase Date, the parties may enter into an agreement to extend the Last Purchase Date for the period of one year (the “**Extended Last Purchase Date**”) and the Last Batch Equipment Closing Date shall be correspondingly extended so that it falls on or before the Extended Last Purchase Date (the “**Extended Last Batch Equipment Closing Date**”), and mutually agree to adjust the Last Batch Equipment Price in respect of any unsold sub-batch(es) of the Last Batch Equipment in accordance to the appraised value of such unsold sub-batch(es) of the Last Batch Equipment under an updated version of the Valuation Reports (which shall be mutually agreed by the parties) prepared by an independent valuer, which

shall remain valid as at the Extended Last Batch Equipment Closing Date. The entering into of any new agreement between the parties and the performance of obligations contemplated thereunder by the Company shall comply with the then prevailing Listing Rules.

Termination

The Equipment Purchase Agreement may be terminated upon unanimous consent of the parties to the Equipment Purchase Agreement.

In addition, a party is entitled to terminate the Equipment Purchase Agreement with a written notice to the other party, if the other party:

- (a) commits a breach of any of its material obligations under the Equipment Purchase Agreement and fails to rectify it within 30 days of the receipt of the written notice of rectification issued by the other party;
- (b) is in the process of liquidation (either voluntary or compulsory), or any of its assets is enforced; or
- (c) makes a general assignment for the benefit of its creditors, become insolvent or have a receiver appointed.

If any party terminates the Equipment Purchase Agreement pursuant to the termination clause under (a), (b) or (c) above, the other party shall indemnify such party against any and all losses incurred or suffered by it therefrom.

Without prejudice to either party's rights against the other for any antecedent breaches, the parties agreed that they shall discuss in good faith whether to terminate or extend the Equipment Purchase Agreement in the event that the any of the conditions of the Closing in respect of the Equipment fails to be satisfied or waived on or before the Long Stop Date.

Force majeure

Each party shall be entitled to suspend performance of its obligations under the Equipment Purchase Agreement to the extent that such performance is prevented by any act or event which is not reasonably foreseeable and avoidable and which is beyond the reasonable control of the affected party (the "**Force Majeure Event(s)**"). Force Majeure Events shall include, but not be limited to, earthquake, typhoon, flood and other acts of nature, fire, war, riots and terrorist acts.

If any Force Majeure Event occurs, neither party shall be responsible for any damage, increased cost or loss which the other party may sustain by reason of the failure or delay of performance resulting therefrom, and such failure or delay shall not be deemed a breach of the Equipment Purchase Agreement. The party claiming a Force Majeure Event shall take appropriate measures to minimise or remove the effects of the Force Majeure Event and exert efforts to resume full performance of its obligations thereunder as early as possible.

5. Information of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment

The Equipment Batch 1 includes 161 units of mobile power generating sets and their ancillary equipment and accessories currently in operation; the Equipment Batch 2 includes 115 units of mobile power generating sets and their related ancillary equipment and accessories currently not in operation; and the Last Batch Equipment includes 67 units of mobile power generating sets and their ancillary equipment and accessories currently not in operation. The Equipment Batch 2 and the Last Batch Equipment ceased to operate upon the expiry of the relevant power purchase agreements which took place during the period from September 2020 to June 2024.

The unaudited net profit/(loss) attributable to the Equipment Batch 1 and the Equipment Batch 2 and the Last Batch Equipment for each of the two financial years ended 31 December 2022 and 31 December 2023 are set out below:

	FY2022	FY2023
	<i>approximately</i>	<i>approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit/(loss) before taxation	93,045	(188,000)
Net profit/(loss) after taxation	87,426	(188,859)

According to the Letter from the Board, the Equipment Batch 1 and the Equipment Batch 2 and the Last Batch Equipment recorded unaudited net profit for FY2022 and unaudited net loss for FY2023. Such decrease was primarily attributable to (i) the substantial decrease in revenue resulted from the Group's curtailment of business presence in Myanmar and the reduced electricity generated by the Equipment and the Last Batch Equipment; and (ii) the written off of trade receivables recorded under other expenses.

The aggregate unaudited net book value of the Equipment Batch 1 and the Equipment Batch 2 and the Last Batch Equipment as at 30 June 2024 was approximately HK\$1,405 million.

6. Valuation of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment

As disclosed in the Letter from the Board, the Company has engaged the Valuer, a registered valuer in the PRC, to conduct valuation on the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment and to prepare the Valuation Reports. The Price and the Last Batch Equipment Price were determined after arm's length negotiations among the parties to the Equipment Purchase Agreement with reference to the aggregate valuation of the Equipment Batch 1 and the Equipment Batch 2 and Last Batch Equipment of RMB1,612,968,970 (approximately HK\$1,774,266,000) as at 30 June 2024, being the effective date of the Valuation, based on the Valuation Reports.

Qualifications of the Valuer

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's background and qualification in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Reports. From the information provided by the Valuer and based on our discussion with them, we understand that Mr. Li Yonggang, being the person-in-charge of the Valuation, has over 22 years of experience in over 300 valuation projects for on-shore or off-shore transactions. He is a Chinese Public Valuer (CPV), Certified Practising Accountant (CPA) Australia, a member of Royal Institution of Chartered Surveyors (MRICS), Chinese Merger and Acquisition Analyst (CD), and a nomination committee member of the International Valuation Standards Council (IVSC), and an expert member of the World Association of Valuation Organisations (WAVO). The scope of work performed by the Valuer includes preparation for assessment, on-site inspections, data collection from various sources, asset value estimations and internal audits prior to the issuance of the Valuation Reports. There are no limitations on their scope of work noted. With reference to the website of the Valuer, the Valuer was established in 1996 and currently has over 1,000 valuation staff, including 400 assets valuers and 300 industry experts. As confirmed by the Valuer, the Valuer is independent to the Group and the counter-parties of the Equipment Purchase Agreement. Therefore, we are satisfied with the Valuer's qualification for preparation of the Valuation Reports.

Valuation methodology

In assessing the fairness and reasonableness of the consideration of the Acquisition, we have reviewed the Valuation Reports and upon our further discussion with the Valuer, we agree with the Valuer to adopt cost approach in arriving the appraised value of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment after considering the following reasons:

(1) Income approach

The income approach refers to valuation methods that capitalize or discount the expected income of the subject to determine its value. Since part of the equipment is not in operation, the expected income from such equipment is uncertain. As income approach is highly dependent on the financial projection of the appraised assets with significant level of unobservable and subjective assumptions, income approach is not appropriate.

(2) Market approach

The market approach refers to the valuation methods that determine the value of the valuation object by comparing with the market price of the comparable reference objects. Since there is no active trading market for the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment, market approach is not applicable.

(3) *Cost approach*

The cost approach refers to the valuation methods that follow the idea of rebuilding or replacing the object being evaluated based on the cost of reconstruction or replacement as the basis for determining the value of the object and deducting relevant depreciation to determine the value of the object. Since the equipment purchase costs and the integrated depreciation rate of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment can be reasonably estimated and obtained, we agree with the Valuer to adopt the cost approach in arriving the Valuation.

We have reviewed and discussed the basis and assumptions adopted in the Valuation Reports. During the course of our discussion with the Valuer, we understand that the Valuer has performed the following steps to evaluate the market value of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment before the despatch of the Valuation Reports:

1. provide a list of required information for appraisal value of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment;
2. review information provided by the Company;
3. perform on-site survey and inspect the specifications, models, number and distribution of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment (if applicable);
4. complete the survey documents based on the information collected from the on-site surveys (if applicable);
5. verify the information provided by the Company;
6. collect market information and related data for the Valuation;
7. select appropriate valuation approach; and
8. submit the preliminary asset appraisal report for internal review.

For our due diligence purpose, we have obtained from the Valuer the underlying calculation of the Valuation. From our review of the underlying calculation of the Valuation, the appraised value of the equipment was calculated based on the equipment purchase costs and the integrated depreciation rate of each equipment.

As discussed with the Valuer, the integrated depreciation rate was determined based on the useful economic life and the years already used of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment with reference to (i) Handbook of Common Data and Parameters for Asset Valuation (資產評估常用數據與參數手冊) (the “**Handbook**”), which is written by the experts from the PRC government and professional bodies, including the Ministry of Finance, the National Development and Planning Commission, the Ministry of Land and Resources and the National Bureau of Statistics, the Chinese Institute of Certified Public Accountants, the Machinery Industry Price Research Centre and the China Price Association and is commonly used as reference for useful economic life in the PRC; and (ii) the information collected from the on-site surveys including the existence, year of purchase, usage condition, physical condition and maintenance status of each equipment. The Valuer has performed on-site survey for the inspection of the physical condition of the equipment but, due to the unstable political environment in Myanmar, the Valuer was not able to perform on-site surveys for the equipment located in Myanmar. However, the Valuer adopted alternative check method for the useful economic life of those equipment, including inspection of the equipment by online communication with the Company’s staff in Myanmar, recent photos of the equipment, the Handbook and equipment purchase contracts and invoices, which met the required valuation assessment standards same as conducting on-site surveys as discussed above. Therefore, the Valuer considered the inability to perform on-site surveys in Myanmar is not a limitation of the Valuation. In order to assess the estimation of the reasonableness of the integrated depreciation rate and the useful economic life of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment in the underlying calculation of the Valuation, we have obtained and reviewed the relevant parameters in the Handbook and the samples of on-site and online survey records of the inspection of the equipment and checked with the underlying calculation of the Valuation.

The equipment purchase costs of the equipment were based on the free on board (“**FOB**”) offshore purchase price of the equipment with the inclusion of overseas transportation fee, insurance fee, customs duty, bank financial fee, import agency fee and domestic miscellaneous transportation fee. In this regard, we have reviewed samples of the FOB offshore purchase price of the equipment as obtained from the suppliers by the Valuer for the Valuation and checked with the equipment purchase costs in the underlying calculation of the Valuation.

After reviewing (i) the basis and underlying calculation of the Valuation (including the quantitative input used in the Valuation); (ii) the on-site and online survey records of the inspection of the equipment as performed by the Valuer and the Handbook; and (iii) the market information of equipment collected by the Valuer, we consider the above methodology and the basis and assumption of the Valuation are reasonable approaches in establishing the appraised values of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment.

Valuation result

The Valuation of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment is summarised as follows:

	Equipment Batch 1 RMB	Equipment Batch 2 RMB	Last Batch Equipment RMB
Equipment purchase costs (A) (Note 1)	1,087,582,329	1,040,671,049	542,573,132
Integrated depreciation rate (B) (Note 2)	56.1%	63.5%	63.0%
Appraised value = (A) × (B)	610,488,119	660,811,889	341,668,962
Net book value as at 30 June 2024 (Note 3)	491,495,860	500,773,070	286,880,569
Appreciation rate	24.2%	32.0%	19.1%

Notes:

1. The equipment purchase costs mainly include FOB offshore purchase costs along with associated expenses including overseas transportation fee, insurance fee, customs duty, bank financial fee, import agency fee and domestic miscellaneous transportation fee.
2. The integrated depreciation rate in this table represents the weighted average remaining useful years of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment (the “**Weighted Average Remaining Useful Years**”) divided by the sum of the Weighted Average Remaining Useful Years and the weighted average years already used for the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment.
3. The net book value of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment has been translated into RMB at the rate of HK\$1 = RMB0.91268, which is the exchange rate published by the People’s Bank of China as at 28 June 2024.

The sum of the appraised value of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment of approximately RMB1,612.97 million represents an increase of approximately RMB333.82 million or 26.1% as compared with the total net book value of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment of approximately RMB1,279.15 million as at 30 June 2024. Based on our review of the underlying calculation and our discussion with the Valuer, the increase in appraised value is mainly due to (i) the increase in FOB offshore purchase price of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment, which leads to the increase in the equipment purchase costs; and (ii) the adoption of longer useful economic life of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment in the Valuation than their depreciation period adopted in the financial statements of the Company as the integrated depreciation rate used in the Valuation was determined based on the useful economic life of the Equipment Batch 1, the

Equipment Batch 2 and the Last Batch Equipment with reference to the information collected from the on-site and online surveys as discussed above while the depreciation rate used in the accounts was based on the accounting policy.

Based on our review of and our discussion with the Valuer regarding (i) the scope of work and experiences of the Valuer; (ii) the reasons and appropriateness of adopting the cost approach for the Valuation; (iii) the basis, assumptions and methodology adopted in the Valuation Reports; and (iv) the valuation work performed by the Valuer, including the underlying calculation of the Valuation, the on-site and online survey records and the market information of the equipment collected by the Valuer, we consider that the valuation performed by the Valuer as well as the basis, assumptions and methodology adopted in the Valuation Reports are appropriate. Therefore, after considering that the Price and the Last Batch Equipment Price were based on the aggregate valuation of the Equipment Batch 1 and the Equipment Batch 2 and Last Batch Equipment as set out in the Valuation, we consider the terms of the Equipment Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

7. Principal terms of the Equipment Lease Framework Agreement

The principal terms of the Equipment Lease Framework Agreement are set out as follows:

Date

4 September 2024 (after trading hours)

Parties

- (i) CNTIC Capital, as the Lessor Entity; and
- (ii) the Company, as the Lessee Entity.

Subject matter

Subject to the Leasing Proposed Caps, the Equipment Purchase Agreement and the transactions contemplated under the Equipment Lease Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, the parties agreed that, at the request of the Company (by itself or on behalf of other members of the Group), the Lessor Entity for itself, or on behalf of any of its subsidiaries or any of its associate(s) against which it shall procure the entering of such leases, shall lease such machinery and equipment constituting part of the Lease Equipment (which is the same batch of equipment identified as the Equipment Batch 1) as set out in the Equipment Lease Framework Agreement to the Lessee Entity (or such other member of the Group).

The Lessor Entity (and/or its subsidiaries and/or its associates) and the Lessee Entity (or such other member of the Group) shall enter into specific Equipment Lease Agreement in respect of each transaction contemplated under the Equipment Lease Framework Agreement

and shall be performed separately by the Lessor Entity (and/or its subsidiaries and/or its associates) and/or the relevant member of the Group (as the case may be) in accordance with the terms thereunder and further in accordance with the principal terms under the Equipment Lease Framework Agreement. The Equipment Lease Agreements to be entered under the Equipment Lease Framework Agreement will be classified as operating leases on the basis that the risks and rewards incidental to ownership of the Lease Equipment will not substantially be transferred to the Lessee Entity or relevant member of the Group.

The Lessor Entity and the Lessee Entity agreed that the continuing provision of the equipment lease by the Lessor Entity (and/or its subsidiaries and/or its associates) to the Lessee Entity (or any member of the Group) in accordance with the terms of the Equipment Lease Framework Agreement from time to time under the Equipment Lease Agreement(s) to be entered from time to time shall be conducted on normal commercial terms or better, from the perspective of the Group, in particular:

- (a) the terms of the Leasing CCT must be fair and reasonable and in the interest of the Shareholders as a whole;
- (b) the Leasing CCT shall be on terms no less favourable to the Group than the terms offered by independent third parties;
- (c) the Leasing CCT shall be in the ordinary and usual course of business of Group and conducted after arm's length negotiations;
- (d) the Leasing CCT shall not exceed the Leasing Proposed Caps without re-complying with the requirements of the Listing Rules with regard to continuing connected transactions, unless such Leasing Proposed Caps shall be refreshed and revised by the Independent Shareholders at a general meeting held during the course of the particular financial year;
- (e) the entering and performance of any of such Equipment Lease Agreement(s) shall comply with all applicable laws, registrations, filings or approvals as may be imposed by any governmental authorities over which it has jurisdiction and the Lessee Entity or relevant member of the Group as lessee, shall be responsible for and bear all the costs and expenses relating to any such registrations, filing or approvals; and
- (f) in the event that any of the registrations, filings or approvals are subject to conditions by the relevant governmental authorities, the Lessor Entity (and/or its subsidiaries and/or its associates) shall be entitled, at its sole and absolute discretion, determine the reasonableness and acceptability of such conditions.

The Lessor Entity acknowledged the performance of duties and obligations under the Equipment Lease Framework Agreement and the Equipment Lease Agreements by the Group will be subject to compliance by the Company with the rules on continuing connected transactions under the Listing Rules.

Term

The term of the Equipment Lease Framework Agreement shall commence on the Commencement Date and shall have a term of three years effective from the Commencement Date.

Annual Caps

The Lessor Entity and the Company agreed that the maximum aggregate amount in regards to the value of the right-of-use asset recognized by the Group would not exceed the Leasing Proposed Caps, unless otherwise notified by the Company to the Lessor Entity in writing (in which case the Company shall ensure that the disclosure and independent shareholders' approval requirements under the Listing Rules in respect of the refreshed annual caps shall be complied with).

The Lessor Entity acknowledged that the transactions contemplated under the Equipment Lease Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

Lease Payment

The rent payable by the Lessee Entity or relevant member of the Group to the relevant Lessor Entity (and/or its subsidiaries and/or its associates) shall be determined in accordance with the relevant Equipment Lease Agreement(s) under which the Lease Equipment is being governed, and the terms of these relevant Equipment Lease Agreements shall be determined with arm's length negotiations amongst the relevant parties with reference to two fee quotations obtained by the Group from the market.

The parties agreed that all deductions, fees, levies and other outgoings that are applicable to the lease and rent payable under the relevant Equipment Lease Agreement(s) shall be borne entirely by the relevant lessee and the relevant lessee's obligations under the relevant Equipment Lease Agreement to pay the rent and any such deductions, fees, levies, taxes and other outgoings (i) shall be absolute, irrevocable and unconditional; (ii) shall not be subject to any right of set off, counterclaim, deduction, defense or other right such lessees may have against the lessors; and (iii) is not subject to any abatement, counterclaim, defense, deferment, interruption, recoupment, reduction or set-off of any kind for any reason whatsoever.

Conditions Precedent

The commencement of the Equipment Lease Framework Agreement shall be conditional upon:

- (i) all representations, warranties and undertakings given by the Lessor Entity and the Lessee Entity under the Equipment Lease Framework Agreement remaining valid, true and accurate in all material respects;
- (ii) the Independent Shareholders having approved the Equipment Purchase Agreement and the transactions contemplated thereunder, the Equipment Lease Framework Agreement and the transactions contemplated hereunder (including the Leasing Proposed Caps in relation to the rents of the Lease Equipment) by way of poll at the EGM;
- (iii) (if necessary) all authorities, authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the Equipment Lease Framework Agreement and the Leasing CCT having been granted, received or obtained and not revoked or suspended; and
- (iv) the Equipment Purchase Agreement having been completed in accordance with its terms.

Save for the above condition precedent (i) which can be waived by the relevant Lessor Entity or the Lessee Entity (as the case may be), and condition precedent (iv) which can be waived by the Lessor Entity, none of the above conditions precedent can be waived by the Lessor Entity or the Lessee Entity.

As at the Latest Practicable Date, none of the above condition precedents had been fulfilled or waived.

Irrevocable Undertakings

The Lessor Entity undertakes that, so long as the Shares are listed and traded on the Stock Exchange, the Lessor Entity shall provide and procure its subsidiaries and associates (if applicable) to provide such information as relates to the Leasing CCT to the auditors, independent non-executive directors, independent financial adviser(s) and/or other professional advisers to the Lessee Entity (or such member of the Group) as may be reasonably requested by the Lessee Entity (or such member of the Group) for the sole purpose of complying with the Listing Rules and applicable laws and regulations, and provided that the provision of such information shall not be prohibited or restricted by any applicable laws, regulations or rules to which the Lessor Entity may be subject. The Lessee Entity undertakes that it shall ensure and shall procure that the auditors, independent non-executive directors, independent financial adviser(s) and/or other professional advisers of the Group shall ensure that all such information as may be provided by the Lessor Entity shall be subject to the strictest

confidentiality and be shared amongst the persons above stated only on a need to know basis and not be disclosed to any parties or made publicly available in any manner whatsoever without the express written permission of the Lessor Entity.

Termination

The parties may mutually agree to terminate the Equipment Lease Framework Agreement on such terms as may be mutually acceptable. Further, the Equipment Lease Framework Agreement shall be terminated immediately:

- (a) on notice given by either party at any time following any material breach by the other party of its obligations hereunder; or
- (b) on the expiry of the term unless otherwise renewed by the parties.

Upon the termination of the Equipment Lease Framework Agreement, all obligations of each party shall cease and terminate and no party shall have any claim against the other parties in respect of any matter arising out of or in connection with the Equipment Lease Framework Agreement, subject to accrued rights of either party in respect of any antecedent breaches of any obligations under the Equipment Lease Framework Agreement. For the avoidance of doubt, termination of the Equipment Lease Framework Agreement shall not affect the leasing of the Lease Equipment under the individual leases that have become effective prior to the termination of the Equipment Lease Framework Agreement which shall continue to be governed under such terms thereunder.

The Equipment Lease Framework Agreement is renewable by the parties entering into a new or renewal agreement before the expiration of the term for another term of three years, subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules (as the case may be).

Equipment Lease Agreement(s)

Subject to the Leasing Proposed Caps, the Equipment Purchase Agreement and the transactions contemplated under the Equipment Lease Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, the Lessor Entity and the Lessee Entity agree that, at the request of the Company (by itself or on behalf of other members of the Group), the Lessor Entity for itself, or on behalf of any of its subsidiaries or any of its associate(s) against which it shall procure the entering of such leases, shall lease the Lease Equipment from time to time, to the Lessee Entity (or any such other members of the Group) in accordance with the terms of the relevant Equipment Lease Agreement(s).

The principal terms of the Equipment Lease Agreement(s) with the relevant member(s) of the Group as lessee and CNTIC Capital (and/or its subsidiaries and/or its associates) as lessor, which are set out in the Equipment Lease Framework Agreement, are set out below:

Rent:	The lessee shall pay rent on a semi-annual basis in the amounts and on the dates set forth on the rent schedule as set out in each Equipment Lease Agreement, during the term of the lease.
Term:	The term of each lease shall commence on the date of the respective Equipment Lease Agreement and, unless earlier terminated as provided pursuant to the termination clause, shall have a term of three years effective from the date of the lease under the respective Equipment Lease Agreement.
Transfer of lease equipment upon termination:	Except as otherwise provided, upon the termination of the lease, the lessee shall, at the lessee's sole expense, de-install, assemble, pack properly and in accordance with the manufacturer's instructions (under the supervision of persons acceptable to the lessor) and in accordance with the lessor's reasonable instructions, return to the lessor all, but not less than all, the lease equipment forming subject under the respective Equipment Lease Agreement by delivering such lease equipment to and unloading it at such location or with such common carrier as the lessor specifies. The lessee shall assign all of its rights, title and interest under all material contract with respect to such lease equipment to the lessor. If, in the reasonable opinion of the lessor, any such lease equipment fails to meet the standards set forth above, the lessee agrees to pay, on demand, all reasonable and documented costs and expenses incurred in connection with the repairing and restoring of such lease equipment so as to meet such standards.

Leasing Proposed Caps and the basis of determination

The Leasing Proposed Caps represent the estimated caps on the right-of-use assets in respect of the Lease Equipment for respective year/period during the term of the Equipment Lease Framework Agreement. It is expected that the Leasing Proposed Cap for each of the respective year/period will not exceed the amount set out below:

	For the period from the Commencement Date to 31 December 2024 US\$'000	For the financial year ending 31 December 2025 US\$'000	For the financial year ending 31 December 2026 US\$'000	For the period from 1 January 2027 to the end of the term of the Equipment Lease Framework Agreement US\$'000
Leasing Proposed Caps	32,428	—	—	—

According to the Letter from the Board, the Leasing Proposed Caps under the Equipment Lease Framework Agreement were determined based on the following key factors:

- (i) the expected total power generation capacity requirement of approximately 260 megawatts involved during the term of the Equipment Lease Framework Agreement;
- (ii) the rents of equipment based on the power generation capacity of the Lease Equipment ranging from approximately US\$2,500 to US\$5,600 per megawatt per month;
- (iii) the expectation that the Leasing will be entered into around late 2024 (subject to the completion of the Equipment Purchase Agreement and the Equipment Lease Framework Agreement becoming effective in accordance with its terms) and none of the Leasing will be entered into during the years ending 31 December 2025 and 2026 and the period from 1 January 2027 to the end of the term of the Equipment Lease Framework Agreement; and
- (iv) the value of the Group's rights to use the Lease Equipment during the term of the Equipment Lease Framework Agreement which is initially measured on present value basis and calculated by discounting the expected lease payments at a rate of 7% per annum. This discount rate is established based on the Group's prevailing weighted average interest rate of the loan facilities and a buffer for possible future interest rate reductions.

We have reviewed the calculation of the Leasing Proposed Caps as provided by the management of the Company. We note that the Leasing Proposed Caps of approximately US\$32.43 million to be recorded as right-of-use assets and lease liabilities on the Commencement Date represent the net present value as calculated based on (i) the total monthly rental expenses of US\$1,061,000, which is payable semi-annually; and (ii) the annual discount rate of 7.0%. As discussed with the management of the Company, the rental expenses for computation of the Leasing Proposed Caps were determined after arm's length negotiations with the Lessor Entity and with reference to the rental price per megawatt offered by the independent third parties. We have obtained and reviewed the rental prices of various comparable equipment in the market in 2023 and 2024 offered by eight independent third parties to other parties as obtained by the Company and confirmed that the rental price offered by CNTIC Capital (and/or its subsidiaries) as set out in the calculation of the Leasing Proposed Caps are no less favourable than that offered by the independent third parties. As discussed with the management of the Company, the annual discount rate of 7.0% was determined based on the weighted average interest rate of the borrowings of approximately 7.8% under the relevant loan facilities in relation to the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment and the buffer for potential interest rate reductions in the future. We have reviewed the calculation of the weighted average interest rate of the borrowings as mentioned above and the statement (<https://www.federalreserve.gov/newsevents/pressreleases/monetary20240918a.htm>) and the economic forecast (<https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20240918.htm>) released by the Federal Reserve on 18 September 2024. According to the statement and the economic forecast of the Federal Reserve, on 18 September 2024, the Federal Reserve decided to lower the target range for the federal funds rate by 0.5% to 4.75% to 5%, down from its prior range of 5.25% to 5.5%. On the same date, the Federal Reserve also released its updated economic projections for the coming years, which most of the Federal Reserve committee members considered that the appropriate target level for the federal funds rate would fall under the range of 4.38% to 4.87% by the end of 2024 with a median of approximately 4.4% as compared with the median of 5.1% in the Federal Reserve's projection released in June 2024. As such, after considering the potential federal funds rate reductions by the Federal Reserve in 2024, we consider that the buffer for potential interest rate cut used in the calculation of the annual discount rate is fair and reasonable.

After reviewing (i) the rental price offered by the independent third parties; (ii) the calculation of the weighted average interest rate of the borrowings; and (iii) the potential federal funds rate reductions by the Federal Reserve in 2024, we consider that the Leasing Proposed Caps are fair and reasonable and thus the terms of Equipment Lease Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

8. Financial effects of the Disposal

For the year ended 31 December 2023, the Group recorded an audited loss for the year of approximately HK\$2,854 million. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to the Circular, assuming the Closing and the Last Batch Equipment Closing had taken place on 31 December 2023, the unaudited pro forma consolidated loss of the Remaining Group for the year ended 31 December 2023 would be approximately HK\$2,806 million.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to the Circular, assuming the Closing and the Last Batch Equipment Closing had taken place on 30 June 2024, the total assets of the Group would be increased from approximately HK\$6,000 million to approximately HK\$6,360 million and the total liabilities of the Remaining Group would be increased from approximately HK\$4,295 million to approximately HK\$4,313 million. The details of the financial effect of the Disposal on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Remaining Group are set out, for illustration purpose only, in Appendix IV to the Circular.

Upon Closing and the Last Batch Equipment Closing, the Company will cease to have any interests (other than a right to use such equipment under the respective Equipment Lease Agreement(s)) in the Equipment and the Last Batch Equipment respectively.

9. Financial implications and use of proceeds of the Disposal and the reasons for and benefits of entering into the Equipment Purchase Agreement and the Equipment Lease Framework Agreement

According to the Letter from the Board, as a result of the Disposal, the Directors expect that the Group will record an unaudited gain on the Disposal of approximately HK\$369 million, being the difference between the consideration of the Disposal of approximately HK\$1,774 million, and the total unaudited net book value of the Equipment and the Last Batch Equipment of approximately HK\$1,405 million which includes an unaudited net book value of approximately HK\$1,392 million as at 30 June 2024 and an unaudited net book value of approximately HK\$13 million of certain construction in progress items recognised subsequent to 30 June 2024. Such calculation is only an estimate provided for illustrative purposes and the accounting impact of the Disposal will be subject to audit by the auditors of the Company.

The net proceeds from the Disposal (after deducting tax expenses of approximately HK\$22 million and other transaction costs of approximately HK\$5 million expected to be incurred in relation to the Disposal) are approximately HK\$1,747 million. The Group intends to use such net proceeds of 70%–80% for repayment of certain short-term borrowings and the remaining 20%–30% as general working capital.

As stated in the Letter from the Board, the Group has faced challenges due to the uncertain macroeconomic landscape characterised by geopolitical conflicts, inflation and increased borrowing costs. Following the political incidents in Myanmar, which took place in early February 2021, there arose adverse changes in the political, economic and social environments, which have brought prolonged challenges to the operations and financial position of the Group which has investment and operation in the country. While the Group has managed to scale down its business exposure locally to limit the financial impacts, its overall business plan to redeploy the Equipment Batch 2 and the Last Batch Equipment which are currently located in Myanmar and other Southeast Asian countries for new projects has been interrupted for the past few years resulting in unsatisfactory financial performance. For FY2023, the Group recorded a substantial increase in net loss which was mainly due to (i) a significant revenue decline; (ii) a considerable increase in impairment of trade receivables; and (iii) a substantial increase in share of losses of joint ventures. As at 31 December 2023, the Group's outstanding interest-bearing bank and other borrowings totalled approximately HK\$2,767.2 million, among which short-term bank borrowings and other borrowings were approximately HK\$2,641.9 million and approximately HK\$75.1 million respectively. In contrast, the Group's cash and cash equivalents amounted to approximately HK\$131.2 million. The above cumulatively indicates that the Group has to increase its financial resources, refine its debt portfolio and strengthen its financial position.

Based on the information available to the Directors, the Disposal will generate no less than HK\$1,747 million cash to the Group. Considering the current financial, indebtedness and liquidity position of the Group, the Disposal represents an opportunity for the Group to monetise the assets at a fair and reasonable price for immediate cash inflow to repay the short-term borrowings and hence reduce its overall debt burden and corresponding finance costs. The improved financial metrics such as debt-to-equity ratio, interest coverage ratio, and return on assets will also empower the Group with the ability to facilitate other fundraising activities in the future.

Meanwhile, the Group will lease from the Lessor Entity the Lease Equipment which is currently operational in the Group's power stations for generating electricity to its customers. Entering into Leasing CCT allows the Group to continue the operation of all of its distributed power stations in Indonesia without any interruption. The Leasing CCT ensures the Group's business continuity and operational stability while eliminating the need for significant capital investment in purchasing new equipment for the distributed power stations in operation to fulfil its contractual obligations as an operator of power stations.

The Disposal and Leasing CCT together form a strategic solution for the Group to resolve the short-term financial strain, facilitate capital structure enhancement and achieve operational flexibility and efficiency simultaneously. CNTIC has been a long-standing business partner of the Group who has made remarkable contribution to the Group's business development including providing competitive commercial terms in the business arrangements. The Disposal and Leasing CCT further represent its committed support to the Group's business sustainability by empowering the Group to focus the resources on vitalising its businesses and capturing the prevailing market opportunities brought by the increasing demand for distributed power.

In case that the Leasing CCT is not approved by the Independent Shareholders together with the Disposal, the Group will consider options including replacement of the majority of the equipment with its inventory and leasing from independent third parties from whom the Group has received fee quotations for the remaining part of the equipment or collaboration with the controlling Shareholder and local partners to continue the operation of the relevant power projects. The Group, after taking into consideration of the above alternative solutions other than Leasing CCT, does not expect material interruption to its operations. Upon expiry of the term of the Equipment Lease Framework Agreement, the Group will re-assess its operational needs for equipment based on the operational status of its power projects and explore solutions to meet such needs, including but not limited to renewing the leasing agreements with the Lessor Entity. Based on our review of the documents of the rental price offered by the independent third parties to other parties as obtained by the Company as mentioned in the section headed “7. Principal terms of the Equipment Lease Framework Agreement” above in this letter, we consider that the abovementioned alternative solution of replacement of the equipment by leasing from independent third parties is viable if the Leasing CCT is not approved by the Independent Shareholders.

As mentioned in the section headed “1. Background and financial information of the Group” above in this letter, the auditors of the Company have raised material uncertainty related to going concern of the Company in the Annual Report 2023 and the Group failed to meet certain repayment schedules and/or loan covenants of some of the bank and other borrowings; and no waiver of the non-compliance was obtained from the relevant lending banks or lenders. As such, we have obtained and reviewed the list of borrowings of the Group as provided by the Company. According to the list of borrowings, as at 30 June 2024, the Group had in total approximately HK\$2,857.94 million of bank borrowings, other borrowings and other payables. We note that the net proceeds to be allocated for the repayment of the short-term borrowings ranged from HK\$1,222.90 million to HK\$1,397.60 million are insufficient to cover the borrowings in the list of borrowings. Furthermore, according to the section headed “4. Working Capital” in the Appendix I to the Circular, we note that the Group may not have sufficient working capital for the next 12 months from the date of the Circular based on the Group’s present requirements. As discussed with the management of the Company, the Company (i) would continue the negotiation with the creditors and banks to extend the repayment schedules or seek for refinancing arrangements for the remaining borrowings after part of the outstanding borrowings have been repaid by the net proceeds from the Disposal; and (ii) consider to dispose any investment held by a joint venture. As the financial position of the Group will be restored to a net current asset position from a net current liabilities position upon the completion of the Disposal with reference to the pro forma financial statements as set out in Appendix IV to the Circular, we consider that improvement of the financial position of the Group as a result of the Disposal will ease the short-term financial difficulties of the Group and provide time for the management of the Company to negotiate with the creditors and banks and/or seek for any other alternative financing for the remaining borrowings. After considering that (i) the Disposal will provide immediate fund to the Group to repay part of its bank and other borrowings; (ii) the Disposal will provide an unaudited gain on the Disposal of approximately HK\$369 million as stated in the Letter from the Board; (iii) the financial position of the Group will be restored to a net current asset position from a net current liabilities position upon the completion of the Disposal with reference to the pro forma financial statements as set out in

Appendix IV to the Circular; (iv) the Valuation is fair and reasonable as discussed in the section headed “6. Valuation of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment” above in this letter; (v) the Leasing Proposed Caps are fair and reasonable as discussed in the section headed “7. Principal terms of the Equipment Lease Framework Agreement” above in this letter; and (vi) the Leasing CCT will provide an alternative solution for the Group to continue the operation of all of its distributed power stations in Indonesia without any interruption after the Disposal, we consider that entering into the Equipment Purchase Agreement and the Equipment Lease Framework Agreement are in the interests of the Company and the Shareholders as a whole.

10. Principal terms of the EPC Services Framework Agreement

The principal terms of the EPC Services Framework Agreement are as follows:

Date

4 September 2024 (after trading hours)

Parties

- (i) CNTIC, as supplier; and
- (ii) the Company, as purchaser.

Term

The term of the EPC Services Framework Agreement shall commence on the Date of Shareholders’ Approval for EPC and shall have a term of three years effective from the Date of Shareholders’ Approval for EPC.

The EPC Services Framework Agreement is renewable by the parties entering into a new or renewal agreement before the expiration of the term for another term of three years, subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules (as the case may be).

Scope of services

Subject to the EPC Proposed Caps and the transactions contemplated under the EPC Services Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, and at the request of the Company (by itself or on behalf of the other members of the Group), CNTIC (for itself or on behalf of the other members of the CNTIC Group) agreed to provide, and the Company (for itself and on behalf of the Group) agreed to procure the EPC Services from time to time.

The relevant member(s) of the CNTIC Group and the Group shall enter into specific agreements in respect of each transaction contemplated under the EPC Services Framework Agreement, which shall specify terms of the EPC Services to be provided. Each specific

agreement shall specify, at a minimum, the following information: scope of service, fees and payment arrangement, the member(s) of the CNTIC Group and the Group who are the contracting parties under the relevant specific agreement, and further provided that the terms of each specific agreement shall comply the terms of the EPC Services Framework Agreement in all material respects.

CNTIC and the Company agreed and acknowledged that the EPC Services are and shall be procured in the ordinary and usual course of business of the Group.

CNTIC and the Company agreed that the continuing provision of the EPC Services by the CNTIC Group to any member of the Group in accordance with the terms of the EPC Services Framework Agreement and the relevant specific agreement from time to time shall be conducted on normal commercial terms or better, in particular:

- (a) the terms of the EPC Services CCT shall be determined after arm's length negotiations between the members of the CNTIC Group and the Group, and the terms of the specific agreement must be fair and reasonable and in the interest of the Shareholders as a whole;
- (b) the EPC Services CCT shall be on terms that are no less favourable to the Group when compared with terms that the Group would be able to obtain from independent third party suppliers; and
- (c) the annual transaction amounts under the EPC Services CCT shall not exceed the EPC Proposed Caps, and where such EPC Proposed Caps are likely to be exceeded, any further EPC Services CCT shall not proceed unless and until the Company has complied with the requirements of the Listing Rules with regard to new annual caps, approved by the independent non-executive Directors and (if applicable) the Independent Shareholders at a general meeting held, and the Company having complied with such other requirements as may be prescribed under the Listing Rules for the refreshed annual caps. In a case where the refreshed annual caps are not approved in accordance with the requirements under the Listing Rules, CNTIC and the Company shall negotiate in good faith to ensure that the implementation of the remaining specific agreements will not violate the provisions of the Listing Rules and fall within the limits of the EPC Proposed Caps.

Pricing policy

The fees of the EPC Services shall be determined on arm's length basis with reference to the prevailing market prices available to the Group by other independent third party suppliers for similar EPC Services. Should the Group invite the CNTIC Group to offer the EPC Services, the Group should, in the supplier selection and procurement process and in its best endeavours, obtain at least two proposals/quotations from independent third party suppliers for its assessment of the fee, completion schedule and other terms offered by the CNTIC Group. In any event, the fees charged by the CNTIC Group to the Group shall be no less favourable

to the Group than that are offered to the Group by independent third party suppliers in the supply of services of similar nature and scale. In case no proposal or quotation is submitted to the Group by independent third party suppliers in the process, the fee of the EPC Services will be determined according to the internal pricing policy including cost analysis with reference to historical records of the fees payable by the Group for EPC services of similar nature, the prevailing market prices of similar nature, and the purchase cost of the equipment and the estimated installation cost and payment terms.

Based on our review of the internal control policy procedures of the EPC Services Framework Agreement as further discussed in the section headed “13. Internal Control” below in this letter, we are of the view that the internal policy measures and procedures will safeguard the pricing policy of the Company.

Annual caps

The Company and CNTIC agreed that the maximum aggregate transaction amount the Group may pay the CNTIC Group in relation to transactions contemplated under the EPC Services Framework Agreement for each financial year/respective period commencing the Date of Shareholders’ Approval for EPC would not exceed the EPC Proposed Caps for that year/period, unless the Company refreshes the EPC Proposed Caps (in which case the Company shall ensure that the disclosure and independent shareholders’ approval requirements under the Listing Rules in respect of the refreshed annual caps shall be complied with).

CNTIC agreed to provide (and to procure the other members of the CNTIC Group to provide) all reasonable assistance and access to the Company’s auditors, independent non-executive directors, independent financial adviser(s) and/or other professional advisers sufficient access to its records for the purpose of the Company in complying with the Listing Rules for it to prepare its financial statements.

Termination

The EPC Services Framework Agreement shall be terminated immediately, on notice given by either party at any time following any material breach by the other party of its obligations thereunder; or on the expiry of the term unless otherwise renewed by the parties. Upon termination or expiry of the EPC Services Framework Agreement, all obligations of each party shall cease and terminate and no party shall have any claim against the other parties in respect of any matter arising out of or in connection with the EPC Services Framework Agreement subject to accrued rights of either party in respect of any antecedent breaches of any obligations under the EPC Services Framework Agreement. For the avoidance of doubt, termination of the EPC Services Framework Agreement shall not affect the specific agreement(s) which shall continue to be governed under such terms thereunder.

EPC Proposed Caps and the basis of determination

The EPC Proposed Caps represent the estimated aggregate contract sum of the EPC Services to be sourced from the CNTIC Group for the respective year/period during the term of the EPC Services Framework Agreement. It is expected that the EPC Proposed Cap for each of the respective year/period will not exceed the amount set out below:

	For the period from the Date of Shareholders' Approval for EPC to 31 December 2024 US\$'000	For the financial year ending 31 December 2025 US\$'000	For the financial year ending 31 December 2026 US\$'000	For the period from 1 January 2027 to the end of the term of the EPC Services Framework Agreement US\$'000
EPC Proposed Caps	41,448	562,636	129,000	138,380

According to the Letter from the Board, the EPC Proposed Caps under the EPC Services Framework Agreement were determined based on the following key factors:

- (i) six power projects in the existing contract pipeline of the Group's power generation projects on hand which are located in Central Asian, Southeast Asian and South American countries;
- (ii) ten power generation projects located in Middle Eastern, Central Asian, Southeast Asian and South American countries that the Group expects to bid for;
- (iii) the Group's estimation of the EPC cost of each of those power generation projects with a range from approximately US\$8 million to US\$140 million; and
- (iv) the expected completion time of those power generation projects, and the majority of which are estimated to complete by the end of 2025.

As stated in the Letter from the Board, CNTIC has been providing EPC services to the Group since 2013 and become the controlling Shareholder since September 2023. Over the financial years ended 31 December 2021, 2022 and 2023, the historical transactions related to EPC services provided by CNTIC (and other members of the CNTIC Group) amounted to approximately nil, HK\$90.0 million and HK\$36.4 million respectively. Since CNTIC becoming the controlling Shareholder and up to the Latest Practicable Date, there has been no ongoing transaction in relation to EPC services provided by CNTIC to the Group.

As discussed with the management of the Company, due to the limited financial resources available to the Group and the outbreak of the COVID-19 pandemic, the Group had slowed down the development of new power generation projects and hence the demand of the EPC services was reduced in the recent years. Therefore, except for one EPC contract that was entered in 2023, all of the EPC contracts with CNTIC were entered from 2013 to 2019. For our due diligence purpose, we have obtained and reviewed the list of the EPC contracts entered with CNTIC and the two EPC contracts in respect of the historical transactions related to EPC services provided by CNTIC (and its subsidiaries) to the Company in FY2022 and FY2023.

In order to continue to develop the Group's business, the Group plans to develop 16 new power generation projects located in Middle Eastern, Central Asian, Southeast Asian and South American countries from the Date of Shareholders' Approval for EPC to the end of term of the EPC Services Framework Agreement and we are advised by the management of the Company that the EPC Proposed Caps were determined based on potential contract sum of the EPC services to be provided by CNTIC to the Company for the construction of the Company's new power generation projects. In this regard, we have obtained and reviewed the EPC project list in respect of the EPC Proposed Caps, which provides the details of the distribution of the potential contract sum of the EPC projects from the Date of Shareholders' Approval for EPC to the end of term of the EPC Services Framework Agreement and the completion date. We have also reviewed the documents of the new power generation projects, including presentations, project profiles, feasibility study reports, construction timetable, memorandum of understanding and/or agreements between the Company and its potential end customers, and cross checked with the project information in the EPC project list. Based on our review of the documents of the new power generation projects and the EPC project list, we are of the view that the EPC Proposed Caps are fair and reasonable.

Having considered that (i) the internal policy procedures of the EPC Services Framework Agreement will safeguard that the fees charged by the CNTIC Group to the Group shall be no less favourable to the Group than that offered to the Group by independent third party suppliers; (ii) the EPC Proposed Caps are fair and reasonable; and (iii) the prolonged business relationship between the Company and CNTIC in respect of EPC services before CNTIC become the controlling Shareholder, we consider the terms of the EPC Services Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

11. Principal terms of the ETS Supply Framework Agreement

The principal terms of the ETS Supply Framework Agreement are as follows:

Date

4 September 2024 (after trading hours)

Parties

- (i) CNTIC, as purchaser;
- (ii) the Company, as supplier; and
- (iii) VH, as the former supplier.

Term

The term of the ETS Supply Framework Agreement shall commence on the Date of Shareholders' Approval for ETS and shall have a term of three years effective from the Date of Shareholders' Approval for ETS.

The ETS Supply Framework Agreement is renewable by the parties entering into a new or renewal agreement before the expiration of the term for another term of three years, subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules (as the case may be).

Termination of the Gen-sets Supply Framework Agreement

VH and CNTIC agreed to terminate the Gen-sets Supply Framework Agreement in its entirety with effect on and from the Date of Shareholders' Approval for ETS. VH and CNTIC further agreed and acknowledged that with effect on and from the Date of Shareholders' Approval for ETS, they shall release each other from any further obligations and/or liabilities and that they have no claim of whatsoever kind and nature against each other, to the extent permitted by law in connection with the Gen-sets Supply Framework Agreement.

Nature of transaction

Subject to the ETS Proposed Caps and the transactions contemplated under ETS Supply Framework Agreement having been approved by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules, and at the request of CNTIC (by itself or on behalf of the CNTIC Group), the Company (for itself and on behalf of the Group) may provide the Equipment and Technical Services to the CNTIC Group from time to time.

The relevant member(s) of the Group and the CNTIC Group shall enter into specific agreements in respect of each transaction contemplated under the ETS Supply Framework Agreement, which shall specify terms of the Equipment and Technical Services to be provided. Each specific agreement shall be given by members of the CNTIC Group in writing and sent to members of the Group specifying, at a minimum, the following information: type, specifications, quantity, price, delivery method for machinery and equipment; scope and service fees for technical services provided and payment arrangements, the member(s) of the Group and the CNTIC Group who are the contracting parties under the relevant specific agreement, and further provided that the terms of each specific agreement shall comply the terms of the ETS Supply Framework Agreement in all material respects.

The Company and CNTIC agreed and acknowledged that the Equipment and Technical Services are and shall be provided in the ordinary and usual course of business of the Group.

The Company and CNTIC agreed that the provision of the Equipment and Technical Services by the Group to any member of the CNTIC Group in accordance with the terms of the ETS Supply Framework Agreement and the relevant specific agreement from time to time shall be conducted on normal commercial terms or better, in particular:

- (a) the terms of the ETS Supply CCT shall be determined after arm's length negotiations between the members of the Group and the CNTIC Group, and the terms of the specific agreement must be fair and reasonable and in the interest of the Shareholders as a whole;
- (b) the ETS Supply CCT shall be on terms that are no less favourable to the Group than those offered by the Group to its independent third party customers; and
- (c) the annual transaction amounts under the ETS Supply CCT shall not exceed the applicable ETS Proposed Caps, and where such ETS Proposed Caps are likely to be exceeded, any further ETS Supply CCT shall not proceed unless and until the Company has complied with the requirements of the Listing Rules with regard to the refreshed annual caps and the ETS Proposed Caps, approved by the independent non-executive Directors and (if applicable) the Independent Shareholders at a general meeting held, and the Company having complied with such other requirements as may be prescribed under the Listing Rules for the refreshed annual caps. In a case where the refreshed annual caps are not approved in accordance with the requirements under the Listing Rules, the Company and CNTIC shall negotiate in good faith to ensure the implementation of the remaining specific agreements will not violate the provisions of the Listing Rules and fall within the limits of the ETS Proposed Caps.

Pricing policy

The prices of the Equipment and Technical Services shall be determined from time to time and on arm's length basis with reference to (i) the costs of the Equipment and Technical Services; (ii) the selling prices of the equipment with comparable specifications offered by the Group to its independent customers within a year; and (iii) the Group's internal pricing policy of charging for technical services based on manhour. The final price for each transaction may be negotiated based on further detailed equipment specifications, quantity, inventory availability and payment terms, subject to the incorporation of a reasonable profit margin which should be agreed by the relevant department head and the management from time to time. In any cases, the prices of the Equipment and Technical Services and other terms of supply offered by the Group to CNTIC Group shall be no less favourable to the Group than those offered by the Group to independent customers in transactions of similar nature and scale.

We have selected and reviewed top 20 of the historical transactions provided by the Group to independent customers during the period from 1 January 2023 to 26 August 2024, which represent approximately 81% of the total monetary amount of the historical transactions. We have also reviewed the single historical transaction made under the Gen-sets Supply Framework Agreement, which the transaction amount represents the entire annual cap for the Gen-sets Supply Framework Agreement. We are of the view that the sample size is fair and reasonable, and the selection basis is fair and representative in view of materiality and transaction nature. After reviewing the terms of the historical transactions with the independent customers and comparing with the historical transaction under the Gen-sets Supply Framework Agreement, we consider that the historical transaction under the Gen-sets Supply Framework Agreement was made in compliance with the internal control and pricing policy and the terms of the historical transaction under the Gen-sets Supply Framework Agreement are no less favourable to the Group than those of similar equipment offered by the Group to independent customers.

In addition to our review of the historical transactions, based on our review of the internal policy procedures of the ETS Supply Framework Agreement as further discussed in the section headed “13. Internal Control” below in this letter, we are of the view that the internal control policy measures and procedures will safeguard the pricing policy of the Company.

Annual caps

The Company and CNTIC agreed that the maximum aggregate transaction amount the Group may receive from the CNTIC Group in relation to transactions contemplated under the ETS Supply Framework Agreement for each financial year/respective period would not exceed the ETS Proposed Caps for that year/period, unless the Company refreshes the ETS Proposed Caps (in which case the Company shall ensure that the disclosure and independent shareholders’ approval requirements under the Listing Rules in respect of the refreshed annual caps shall be complied with).

CNTIC agreed to provide (and to procure the other members of the CNTIC Group to provide) all reasonable assistance and sufficient access to the Company’s auditors, independent non-executive directors, independent financial adviser(s) and/or other professional advisers to its records for the purpose of the Company in complying with the Listing Rules and for it to prepare its financial statements.

Termination

The ETS Supply Framework Agreement shall be terminated immediately, on notice given by either party at any time following any material breach by the other party of its obligations thereunder; or on the expiry of the term unless otherwise renewed by the parties. Upon termination or expiry of the ETS Supply Framework Agreement, all obligations of each party shall cease and terminate and no party shall have any claim against the other parties in respect of any matter arising out of or in connection with the ETS Supply Framework Agreement

subject to accrued rights of either party in respect of any antecedent breaches of any obligations under the ETS Supply Framework Agreement. For the avoidance of doubt, termination of the ETS Supply Framework Agreement shall not affect the specific agreement(s) which shall continue to be governed under such terms thereunder.

Historical transaction amounts

The historical transaction amounts pursuant to the Gen-sets Supply Framework Agreement for the period from 23 May 2024 up to the Latest Practicable Date are as follows:

	As at the Latest Practicable Date US\$'000
Existing Annual Cap	9,000
Actual sales (unaudited)	9,000
Utilisation	100%

As at the Latest Practicable Date, the Existing Annual Cap has been fully utilised and has not been exceeded.

ETS Proposed Caps and the basis of determination

The ETS Proposed Caps represent the estimated aggregate transaction amount for the provision of the Equipment and Technical Services to the CNTIC Group for each of the respective year/period during the term of the ETS Supply Framework Agreement. It is expected that the ETS Proposed Cap for each of the respective year/period will not exceed the amount set out below:

	For the period from the Date of Shareholders' Approval for ETS to 31 December 2024 US\$'000	For the financial year ending 31 December 2025 US\$'000	For the financial year ending 31 December 2026 US\$'000	For the period from 1 January 2027 to the end of the term of the ETS Supply Framework Agreement US\$'000
ETS Proposed Caps	98,940	100,540	73,200	53,200

According to the Letter from the Board, the ETS Proposed Caps under the ETS Supply Framework Agreement were determined based on the following key factors:

- (i) the estimated selling price of equipment and related accessories with specifications comparable to the equipment and related accessories that the Group sold to the CNTIC Group and independent customers ranging from approximately US\$400,000 to US\$800,000;
- (ii) the estimated selling price of technical services comparable to the technical services that the Group provided to independent customers with contract sum ranging from approximately US\$300,000 to US\$20 million; and
- (iii) the expected demand of the CNTIC Group for the Equipment and Technical Services during the term of the ETS Supply Framework Agreement, and that most of the deliveries are expected to be completed by the end of 2025.

For our due diligence purpose, we obtained from the Company the breakdown of ETS Proposed Caps and reviewed the calculation of the ETS Proposed Caps. From the breakdown of ETS Proposed Caps, we note that the ETS Proposed Caps were formulated based on (i) 375 power generation units to be sold to CNTIC from the Date of Shareholders' Approval for ETS to the end of the term of the ETS Supply Framework Agreement; (ii) the respective selling price of the power generation units, which is comparable to the selling price of the historical transactions of power generation units with similar specification provided by the Group to independent customers during the period from 1 January 2023 to 26 August 2024 that we have reviewed as discussed above; and (iii) the accessories and maintenance services for the power generation units to be sold under the ETS Supply Framework Agreement. Furthermore, we have reviewed the relevant document illustrating CNTIC's demand for the Equipment and Technical Services for CNTIC's future power generation projects and the supporting document for such demand. Based on the above, we are of the view that the ETS Proposed Caps are fair and reasonable.

Having considered that (i) the terms of the historical transaction under the Gen-sets Supply Framework Agreement are no less favourable to the Group than those of similar equipment offered by the Group to independent customers; (ii) the internal policy procedures of the ETS Supply Framework Agreement will safeguard that the prices of the Equipment and Technical Services offered by the Group to CNTIC Group shall be no less favourable to the Group than those offered by the Group to independent customers; and (iii) the ETS Proposed Caps are fair and reasonable, we consider the terms of the ETS Supply Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

12. Reasons for and benefits of entering into the EPC Services Framework Agreement and the ETS Supply Framework Agreement

According to the Letter from the Board, CNTIC is a key EPC contractor to the Group. Over the years, the Group has engaged CNTIC to deliver EPC services for the development and construction of most of its distributed power stations. The timely delivery of fast-track distributed power by the Group to people in need is largely attributable to the close collaboration between the Group and CNTIC in the seamless project execution, and CNTIC's profound knowledge and expertise as an EPC contractor. As a large-scale Chinese state-owned enterprise, CNTIC excels in delivering EPC services globally, particularly in developing power stations within various emerging markets. It has proven track records in constructing various types of power-related facilities including gas-fired power stations, hydropower stations, photovoltaic power stations, wind farms and electricity grid projects. Through the partnership with CNTIC, the Group not only acquires access to robust local expertise in civil, electrical, and mechanical works but also gains invaluable insights into project opportunities, execution strategies, and regulatory frameworks at the local level. Taking into account the potential power projects on hand located in Central Asian, Southeast Asian and South American countries which the Group is set to materialise, the Group expects to continue the engagement of CNTIC for its EPC Services. It is believed that the outstanding qualifications and extensive experiences of CNTIC in the global power sector and the competitive commercial arrangements offered by CNTIC will support the Group in expediting project execution to generate revenue at a lower capital cost.

According to the website of CNTIC, CNTIC was one of the major contractors in the PRC that developed power and energy projects, infrastructures, industrial engineering projects and energy conservation and environmental protection projects. In the PRC, CNTIC has completed over 500 power and energy projects, including 400 power plant projects, 60 power transmission projects and 20 power plant design and consulting projects, with total value exceed US\$18 billion. CNTIC also undertook a number of power plant projects in Philippines, Thailand, Indonesia, Vietnam, Tajikistan, Bangladesh, Algeria, Pakistan and Myanmar. As CNTIC has been providing EPC services to the Group since 2013 and is one of the major EPC contractors of the Company, we consider that the Company's long-term business relationship with CNTIC demonstrate that CNTIC is able to provide reliable EPC services to the Group. After considering that (i) CNTIC has a proven track record of provision of EPC services to the Company; (ii) EPC Proposed Caps are formulated based on the demand of EPC services from the potential power generation projects and are fair and reasonable as discussed in the section headed "10. Principal terms of the EPC Services Framework Agreement" above in this letter; and (iii) the adequate internal control policy for the EPC Services Framework Agreement as further discussed in the section headed "13. Internal Control" below in this letter, we consider that entering into the EPC Services Framework Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

According to the Letter from the Board, under its SI business, the Group sells engine-based electricity generation units and provides technical services to customers. With the reliability and quality of its products and services, the Group is a qualified supplier of CNTIC and has track records of selling both gas-fired and diesel-fired engine-based electricity generation units and providing services to CNTIC. As a large state-owned enterprise with global business presence, CNTIC has a huge pool of wide-ranging customers for whom it procures power equipment and related services. Entering into the ETS Supply Framework Agreement provides the Group with opportunities to continue its supply to CNTIC in its ordinary course of business. The pricing of the Equipment and Technical Services under the ETS Supply Framework Agreement would be on terms that are no less favourable to the Group than those offered by the Group to independent third party customers.

As discussed in the section headed “1. Background and financial information of the Group” above in this letter, the revenue of SI business for FY2023 and HY2024 was decreasing as compared with that for FY2022 and HY2023. We consider that entering into the ETS Supply Framework Agreement would provide an additional income source to the SI business of the Group, which in turn would improve the financial performance of the Group. Therefore, after considering that (i) ETS Proposed Caps are fair and reasonable as discussed in the section headed “11. Principal terms of the ETS Supply Framework Agreement” above in this letter; (ii) the provision of Equipment and Technical Services to CNTIC is ordinary course of business of the Group and would generate further revenue to the Group; and (iii) the adequate internal control policy for the ETS Supply Framework Agreement as further discussed in the section headed “13. Internal Control” below in this letter, we consider that entering into the ETS Supply Framework Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

13. Internal Control

According to the Letter from the Board, the Company has implemented the following internal control measures to ensure that the Proposed Caps for the transactions contemplated under the Framework Agreements will not be exceeded:

- (i) the Group has an internal system to trace, monitor and evaluate the transaction amounts under the Framework Agreements regularly to ensure that the Proposed Caps will not be exceeded; and
- (ii) the Group will comply with the annual review requirements in respect of the transactions contemplated under the Framework Agreements in accordance with Chapter 14A of the Listing Rules.

Moreover, the auditors of the Company will be engaged to conduct an annual review and report on the transactions contemplated under each of the Framework Agreements.

We have obtained and reviewed the documents of the internal control policy and templates of the form attached to the internal control procedures for the transaction of each of the Framework Agreement. After considering that (i) internal control procedures have detective control and clear segregation of duties of execution, checking and authorising Leasing CCT, EPC Services CCT and ETS Supply CCT by designating different personnel or teams for the assessment, review and approval; (ii) the Group will comply with the annual review requirements in respect of the transactions contemplated under the Framework Agreements in accordance with Chapter 14A of the Listing Rules; (iii) the terms of the historical transaction under the Gen-sets Supply Framework Agreement are no less favourable to the Group than those of similar equipment offered by the Group to independent customers as discussed in the section headed “11. Principal terms of the ETS Supply Framework Agreement” above in this letter; and (iv) an annual review and report on the transactions contemplated under each of the Framework Agreements will be conducted by the auditors of the Company, we are of the view that the internal control measures and procedures are sufficient to ensure that the transactions contemplated under the Framework Agreements are conducted on normal commercial terms and do not exceed the Proposed Caps.

RECOMMENDATION


Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the Equipment Purchase Agreement, the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement; (ii) the valuation of the Equipment Batch 1, the Equipment Batch 2 and the Last Batch Equipment as set out in the Valuation Reports; (iii) the Proposed Caps; and (iv) the reasons for and benefits of the Transactions, we are of the view that (a) the terms of the Equipment Purchase Agreement, the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement are on normal commercial terms that are fair and reasonable; (b) the Leasing Proposed Caps, the EPC Proposed Caps and the ETS Proposed Caps are fair and reasonable; (c) the continuing connected transactions contemplated under the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group; (d) the connected transactions contemplated under the Equipment Purchase Agreement and the continuing connected transactions contemplated under the Equipment Lease Framework Agreement, the EPC Services Framework Agreement and the ETS Supply Framework Agreement are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Equipment Purchase Agreement, the Equipment Lease Framework Agreement, the EPC Services Framework Agreement, the ETS Supply Framework Agreement and the transactions contemplated thereunder and the Proposed Caps (including the Leasing Proposed Caps, the EPC Proposed Caps and the ETS Proposed Caps).

Yours faithfully,

For and on behalf of

INCUBORPORATE FINANCE LIMITED



Gina Leung

Managing Director



Psyche So

Associate Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Ms. Psyche So is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over eight years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.