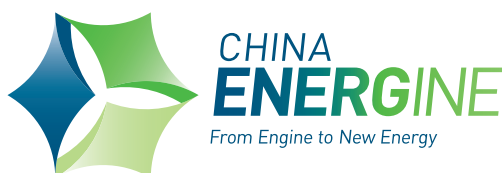

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you have sold all your shares in China Energin International (Holdings) Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

**CONNECTED TRANSACTIONS
RECEIPT OF FINANCIAL ASSISTANCE AND
PROVISION OF SECURITY
AND
NOTICE OF EGM**

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



A letter from the Board is set out on pages 4 to 18 of this circular. A letter of advice containing the recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 39 of this circular.

A notice of the EGM to be held at Office B, 18th Floor, Tower A, Billion Center, 1 Wang Kwong Road, Kowloon Bay, Hong Kong on Friday, 15 March 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

22 February 2024

* for identification purpose only

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DEFINITION

In this Circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:

“associates”	has the meaning given in the Listing Rules
“Astrotech”	Astrotech Group Limited, a company incorporated in the British Virgin Islands with limited liability. It is the immediate holding company of the Company and a wholly owned subsidiary of CALT. As at the date of this Circular, Astrotech holds 60.64% of the issued Share capital of the Company
“Board”	the board of Directors
“CALT”	China Academy of Launch Vehicle Technology, a company established in the PRC with limited liability. It is a wholly owned subsidiary of CASC. As at the date of this Circular, CALT holds approximately 60.64% of the issued Share capital of the Company
“CASC”	China Aerospace Science and Technology Corporation, a company established in PRC with limited liability. It is the ultimate controlling shareholder of the Company. As at the date of this Circular, CASC holds approximately 60.64% of the issued Share capital of the Company. The ultimate beneficial owner of CASC is state-owned Assets Supervision and Administration Commission of the State Council
“Company”	China Engerine International (Holdings) Limited, a company incorporated in Cayman Island with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1185)
“connected person(s)”	has the meaning given in the Listing Rules
“Crownpluss”	Crownpluss International Limited, a company incorporated in Hong Kong with limited liability. It is a direct wholly owned subsidiary of the Company
“Director”	a director of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of approving the Transactions

DEFINITION

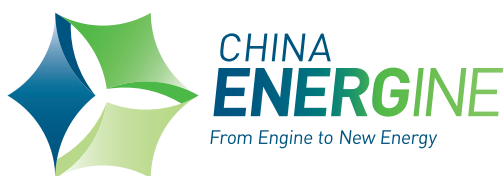
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng, established to advise the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser” or “Dakin”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	all Shareholders other than CASC and its associates
“Jiangsu Longyuan”	Jiangsu Longyuan Wind Power Co., Ltd., a company established in PRC with limited liability. It is an indirectly 25% owned investment in associate of the Company
“Jilin Longyuan”	Jilin Longyuan Wind Power Co., Ltd., a company established in PRC with limited liability. It is an indirectly 15.35% owned investment in associate of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	19 February 2024, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained therein
“Longyuan Benxi”	Aerospace Long Yuan (Benxi) Wind Power Co., Ltd, a company established in PRC with limited liability. It is an indirectly 40% owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITION

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Charge”	the share charge to be granted by Crownpluss in favour of CALT over all the shares held by Crownpluss in the Subject Matter Companies (representing 40% of the shares in Longyuan Benxi; 25% of the shares in Jiangsu Longyuan; and 15.35% of the shares in Jilin Longyuan) as security for the amount due to CALT
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Matter Companies”	Longyuan Benxi, Jiangsu Longyuan and Jilin Longyuan
“Transactions”	the amount due to CALT and the Share Charge and the transactions contemplated thereunder and in connection therewith
“%”	per cent.

Unless otherwise stated, the exchange rates adopted in this Circular for illustration purpose only are RMB1.00=HK\$1.1.

LETTER FROM THE BOARD



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

Executive Directors:

Mr. Han Qingping (*Chairman*)
Mr. Li Lei (*Chief Executive Officer*)
Mr. Xu Jun (*Financial Controller*)
Mr. Shen Jian (*Vice-Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Lau Fai Lawrence
Mr. Gordon Ng
Mr. Li Dapeng

Registered Office:

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

Principal Place of Business:

Office B, 18th Floor,
Tower A, Billion Center,
1 Wang Kwong Road,
Kowloon Bay,
Hong Kong

22 February 2024

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcements of the Company dated 1 December 2023, 21 December 2023, 12 January 2024 and 26 January 2024.

* for identification purpose only

LETTER FROM THE BOARD

The amount due to CALT amounted to HK\$1,191,872,000 as at 30 June 2023. The amount due to CALT represented financial assistance provided by connected persons of the Company for the benefit of the Group, which were on normal commercial terms or better and were not secured by the assets of the Group, and were therefore fully exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions pursuant to Rule 14A.90 of the Listing Rules.

On 30 November 2023, Crownpluss, a direct wholly-owned subsidiary of the Company, and CALT entered into Share Charge agreements, pursuant to which Crownpluss conditionally grants securities in favour of CALT by way of Shares Charge, as security for the amount due to CALT.

As the Share Charge constitutes security over the assets of the Group, the receipt of financial assistance by the Group would no longer be exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions under Rule 14A.90 of the Listing Rules, and thus compliance by the Company with requirements under Chapter 14A of the Listing Rules in relation to the amount due to CALT and the Share Charge becomes necessary.

The Transactions constitutes a connected transaction of the Company under the Listing Rules and is subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules. The EGM will be held to seek the Independent Shareholders' approval of the Transactions.

The purpose of this circular is to provide you with, among others, (i) information in relation to the Transactions; (ii) letter of advice from the Independent Board Committee in relation to the Transactions; (iii) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions; and (iv) the notice convening the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Transactions.

THE FINANCIAL ASSISTANCE

The amount due to CALT represented financial assistance provided by connected persons of the Company. The amount due to CALT is non-interest bearing, repayment on demand and amounted to HK\$1,191,872,000 as at 30 June 2023.

On 21 May 2021, CALT issued the Company a letter undertaking not to demand repayment from the Company and to provide all necessary financial support to the Company. Such undertakings are effective for 18 months from the issue date of the letter. On 14 March 2022, CALT, in response to the request from the Company, issued the Company another letter to grant extension of the undertaking for a further 24 months ending on 20 November 2024.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR OBTAINING THE FURTHER EXTENSION OF FINANCIAL ASSISTANCE

The extension of repayment of the amount due to CALT will be expired on 20 November 2024, the management have prepared a cash flow forecast for the year ending 31 December 2024 to monitor the Group's financial and liquidity position from time to time, and based on the cash flow forecast, the Company does not have the sufficient internal resources to repay the amount due to CALT on 20 November 2024. Therefore, the further extension of the undertaking from CALT is required for supporting the operations of the Group and the repayment of debts when they fall due during the year ending 31 December 2024. If the further extension of the undertaking is not granted by CALT, this is unlikely that the Company will have the sufficient internal resources to repay the amount due to CALT on 20 November 2024. The default on 20 November 2024 might trigger the winding up of the Company.

Pursuant to the negotiation with CALT in relation to the extension of the undertaking from CALT, CALT requested the Share Charge as a security for the amount due to CALT. CALT will not agree to extend the undertaking with the absence of the Share Charge, and the Share Charge is a necessary condition for striving for the further extension of the undertaking not to demand repayment from the Company.

Pursuant to the negotiation with CALT, CALT will only accept the proposal for the extension of undertaking to be submitted by the Company to CALT upon the Share Charge is provided to CALT. The Company will submit the proposal for the extension of undertaking to CALT within one week upon the Share Charge is provided to CALT. CALT will then commence the internal approval process of the extension of the undertaking immediately, and based on the feedback from CALT's business department, finance department and legal department, CALT will draw the conclusion on whether the further extension of the undertaking is approved within one month time. Based on the above timeline, this is expected that the approval process of CALT will be completed before 20 November 2024 as to mitigate the risk of default of the Company. Furthermore, if the further extension of the undertaking is granted, the extension of the undertaking will be effective until not earlier than April 2025.

On the other hand, in case the resolution to be proposed at the EGM to approve the Transactions is voted down or, in any event, the Company and CALT are unable to extend the undertaking, the existing undertaking ending on 20 November 2024 will not be revoked. However, without the further extension of the undertaking, this is unlikely that the Company will have sufficient internal resources to repay the amount due to CALT on 20 November 2024, the insolvency might trigger the winding up of the Company on or before 20 November 2024.

ACTION PLAN FOR THE REPAYMENT OF THE FINANCIAL ASSISTANCE

On 16 September 2022, CALT provided the Company a letter of intent confirming that CALT would agree to capitalise the amount due to CALT (the "Debt-to-Equity Swap") if certain criteria are met.

LETTER FROM THE BOARD

On the basis that the Company's financial and business performance have achieved substantial improvement, the management could facilitate the Debt-to-Equity Swap to be submitted to the relevant authority in the PRC for approval, but currently there is no substantial improvement in the Company's financial and business performance, the Company does not yet eligible to apply for Debt-to-Equity Swap approval from the relevant authority in the PRC, including but not limited to, the State-owned assets Supervision and Administration Commission. Therefore, the formal agreement for the Debt-to-Equity Swap has not been finalised and so the criteria have not been formally agreed between the parties but are expected to include the following:

- (1) The trading of the Company's shares has been resumed;
- (2) Beijing Energine liquidation procedures have been fully completed and the amount to be paid from Beijing Energine to CALT has been fixed;
- (3) Achievement by the Group of specified revenue, net profit and share price targets;
- (4) Approval of the Debt-to-Equity Swap by CASC and the relevant authority in the PRC

As of the date of this Circular, the first foresaid criteria was met and the remaining foresaid criteria are in progress.

For the second foresaid criteria, the management has cooperated and communicated proactively with the bankruptcy administrator to speed up the liquidation process. On 1 March 2023, Beijing Energine repaid approximately HK\$84,222,000 to CALT and the Company's amount due to CALT was reduced by the same amount, a gain was recognised and reflected in the consolidated statement of profit or loss and other comprehensive income of the Group. The management will continue to work closely with the bankruptcy administrator so that the bankruptcy administrator would complete the procedures of Beijing Energine liquidation as soon as possible.

For the third foresaid criteria, the management has strived the utmost effort in managing the existing businesses, including but not limited to, impose strict cost control and identify potential customers and business opportunities to enhance the operations and financial position of the Group.

For the fourth foresaid criteria, the management communicated and discussed with CASC regularly in relation the Debt-to-Equity Swap and seek the support from CASC, the management also acknowledge that CASC has sought policy advices and guidance in relation to the Debt-to-Equity Swap arrangement from the relevant authority in PRC, including but not limited to, State-owned Assets Supervision and Administration Commission.

LETTER FROM THE BOARD

Although the criteria as listed above are subjected to future events beyond control of the Company and only the first foresaid criteria was met as at Latest Practicable Date. Taken into account that i) the Beijing liquidation procedures will eventually be completed by the bankruptcy administrator; ii) the sales of electricity from our wind farm, which is one of existing businesses of the Group, remains stable in operation and profitability, and provides a fundamental for the Group to maintain a stable level of operations and also the ability to seek for further business development and opportunity related to the new energy project in the long term. The management has identified and currently assessing the feasibility of certain business opportunities, the management believe that the financial performance of the Group will be improved gradually when suitable business opportunities are identified; iii) CALT has shown support for the continuous development of the Group, including but not limited to, introducing potential business opportunities and confirmed the intention to execute the Debt-to-Equity Swap, the management is in view that the criteria will be possible to be completed with the continuous support from CALT, and therefore, the Board consider that the Debt-to-Equity Swap is the most feasible action plan for the repayment of the amount due to CALT.

The Board will continue the effort to work on the action plans as stated above until the remaining criteria are met. The audit committee of the Company acknowledge the progress of the action plans and consider that the action plans are adequate to address the Debt-to-Equity Swap for the repayment of the financial assistance. The audit committee will continue to proactively monitor the progress of the action plans.

PROVISION OF SECURITY

Pursuant to the negotiation with CALT in relation to the extension of the undertaking from CALT, CALT request the Share Charge as security for the amount due to CALT. CALT will not agree to extend the undertaking with the absence of the Share Charge, and the Share Charge is a necessary condition for striving for the further extension of the undertaking not to demand repayment from the Company.

On 30 November 2023, Crownpluss, a direct wholly-owned subsidiary of the Company, and CALT entered into Share Charge agreements, pursuant to which Crownpluss conditionally grants securities in favour of CALT by way of Shares Charges, as security for the amount due to CALT.

LETTER FROM THE BOARD

Based on the unaudited interim financial statements of the Subject Matter Companies and the Group for the six months ended 30 June 2023, the below table illustrates the contribution of revenue, net profit, total asset and net asset of the Subject Matter Companies to the Group's:

	Contribution of the Subject Matter Companies to the Group			
	Revenue	Profit after taxation	Total asset	Net asset (liability)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Longyuan Benxi	12,404	993	125,708	117,269
Jiangsu Longyuan	–	4,549	112,218	112,218
Jilin Longyuan	–	–	<u>77,707</u>	<u>77,707</u>
 The Subject Matter Companies	 12,404	 5,542	 315,633	 307,194
 The Group	 12,404	 85,042	 331,898	 (912,442)
 Contribution from the Subject Matter Companies to the Group for the six months ended 30 June 2023	 100%	 7%	 95%	 N/A

During the course of the Share Charge, the Company will retain i) control over the Longyuan Benxi as subsidiary of the Company; and ii) significant influence over the Jiangsu Longyuan and Jilin Longyuan as investment in associates of the Company. The Share Charge will have no impact to the Company's ownership of the Subject Matter Companies.

RISKS AND POTENTIAL IMPACT OF THE PROVISION OF SECURITY

In the event of default of the Company in relation to the amount due to CALT, CALT is entitled to enforce against the security under the Share Charge. This arrangement is in line with the general share charge arrangement customary to market practices.

According to the applicable PRC law and regulation and confirmed by the legal opinion from PRC lawyer, in the event that CALT is entitled to enforce against the security under the Share Charge, CALT shall not obtain the subject matter of the Share Charge at a discounted value but shall arrange for sales in open market, and the proceeds after payment of the amount owing to CALT will be returned to Crownpluss. Under the possible scenarios that there is no buyer for the Share Charge in the open market, the Subject Matter Companies might be forced to liquidate and the value of the Share Charge will be realized after the realization of assets of the Subject Matter Companies.

LETTER FROM THE BOARD

As disclosed under the Headline “PROVISION OF SECURITY”, based on the unaudited interim financial statements for six months ended 30 June 2023, the Subject Matter Companies contributed 100% and 95% of the revenue and total asset to the Group. In the event that the Share Charges are enforced by CALT, the Company will essentially lose the interests in its principal subsidiary and investment in associates.

REASONS FOR OBTAINING THE FURTHER EXTENSION OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY

As disclosed under the headlines “REASONS AND BENEFITS FOR OBTAINING THE FURTHER EXTENSION OF FINANCIAL ASSISTANCE” and “PROVISION OF SECURITY”, the Company does not have the sufficient internal resources to repay the amount due to CALT on 20 November 2024 and pursuant to the negotiation with CALT in relation to the extension of the undertaking from CALT, the Share Charge is a necessary condition for striving for the further extension of the undertaking not to demand repayment from the Company and CALT will not agree to extend the undertaking with the absence of the Share Charge. Pursuant to the negotiation with CALT, CALT will only accept the proposal for the extension of undertaking to be submitted by the Company to CALT upon the Share Charge is provided to CALT. The Company will submit the proposal for the extension of undertaking to CALT within one week upon the Share Charge is provided to CALT. CALT will then commence the internal approval process of the extension of the undertaking immediately, and based on the feedback from CALT’s business department, finance department and legal department, CALT will draw the conclusion on whether the further extension of the undertaking is approved within one month time. Based on the above timeline, this is expected that the approval process of CALT will be completed before 20 November 2024 as to mitigate the risk of default of the Company. Furthermore, if the further extension of the undertaking is granted, the extension of the undertaking will be effective until not earlier than April 2025.

On the other hand, in case the resolution to be proposed at the EGM to approve the Transactions is voted down or, in any event, the Company and CALT are unable to extend the undertaking, the existing undertaking ending on 20 November 2024 will not be revoked. However, without the further extension of the undertaking, this is unlikely that the Company will have sufficient internal resources to repay the amount due to CALT on 20 November 2024, the insolvency might trigger the winding up of the Company on or before 20 November 2024.

LETTER FROM THE BOARD

The Directors have considered other fund raising alternatives for the Group, including debt and equity financing. The Company has approached two financial institutions in June 2023 and December 2023, respectively, for a long term bank loan with the amount comparable to the amount due to CALT for the repayment in November 2024. The two financial institutions followed up on the discussion and conference calls were arranged for the Company, including but not limited to, present and discuss the background, business and the intended use of the bank loan as well as clarifying enquiries from the financial institutions. However, the Company was informed that based on the preliminary assessment of the Group, including but not limited to, the operations, financial performance, the financial position and the assets eligible for pledging at the material time, Even assume that all assets are pledged, the valuation of the pledged assets are unlikely to meet the minimum requirement of the financial institutions for a long term bank borrowing with the amount comparable to the amount due to CALT. Under the above circumstances, the Company will not be able to obtain bank loan with an amount comparable to the amount due to CALT unless i) the Company maintain the bank balance in the financial institution of the same amount of the loan drawn (the ratio of pledged bank balance to the loan size is 1:1), or ii) the loan is fully guaranteed by our controlling shareholder. The requirement of pledged bank balance is not feasible for the Company taken into account of the cash flow forecast as prepared for the year ending 31 December 2024; and the full guarantee to be provided by our controlling shareholder is not feasible because there is a requirement for all stated-owned entities (including our controlling shareholder) that stated-owned entities are only allowed to grant guarantee in proportion to the shareholding. In other word, this is not feasible for our controlling shareholder to provide full guarantee to the Company in relation to the bank loan of the Company. With regard to equity financing, the Company approached financial advisors in Hong Kong to explore the possibility of equity financing, including but not limited to, any placing, open offer or right issue, with the amount comparable to the amount due to CALT for the repayment in November 2024 the Company was informed that based on the preliminary assessment of the Group, including but not limited to, the market capacity of the Company at the material time, the Company will not be able to obtain the proceed from equity financing with an amount comparable to the amount due to CALT, which represent several multiples of the total market capitalisation of the Company. At the material time, the amount due to CALT was almost 3 time of the total market capitalization of the Company, and therefore, the Directors are of the view that any placing, open offer or rights issue will not enable the Company to repay the amount due to CALT on 20 November 2024.

LETTER FROM THE BOARD

While the Company will assess its capital requirements from time to time and will continue to explore the possibility of obtaining external debt and/or equity financing as and when the need arises and the terms of such financing are in the interests of the Company, as at the Latest Practicable Date, it had no intention to conduct any other debt or equity financing activities, any bank facilities which the Company may obtain from time to time in the ordinary course of its business and exploring the funding alternatives as disclosed above, nor had it entered into or negotiated the terms of any such financing. The Company may use any banking facilities which it may obtain from time to time in the ordinary course of its business to fund its operating funding needs.

In the absence of any immediate bank borrowings and equity financing available to the Group for the repayment of the amount due to CALT on 20 November 2024, the management considered that there is compelling need for the Transactions in return for the necessary condition for striving for further extension of the undertaking. Given that (i) the Subject Matter Companies under the Share Charge contributes the major parts of revenue and total assets of the Company, (ii) the Company may essentially lose all the control and/or stake of its material assets and business in the event of default and (iii) there is no alternative plan for the extension of undertaking in case the resolution is not approved. The management still considered that the terms of the Transactions are on normal commercial terms and are fair and reasonable to the shareholders and to the Company as a whole as elaborated in the below scenarios analysis below.

- In case the resolution to be proposed at the EGM to approve the Transactions is not approved, the extension of the undertaking will not be granted and without the extension of the undertaking, this is unlikely that the Company will have the sufficient internal resources to repay the amount due to CALT on 20 November 2024. Under this circumstance, the insolvency might trigger the winding up of the Company on or before 20 November 2024. The Company will lose all stake of its assets and business, including but not limited to the Subject Matter Companies for the repayment of debts.
- In case the resolution to be proposed at the EGM to approve the Transactions is approved, the Company will be able to submit the proposal for the extension of undertaking to CALT. Under the possible circumstance that CALT and the Company are unable to extend the undertaking, this will also lead to the winding up of the Company as elaborated in the above scenario. The Company will lose all stake of its assets and business, including not limited to the Subject Matter Companies for the repayment of debts.

LETTER FROM THE BOARD

- In case the resolution to be proposed at the EGM to approve the Transactions is approved and CALT approved the extension of undertaking with the Share Charge, the Company will be able to avoid the default of amount due to CALT on 20 November 2024 and hence avoid the immediate triggering of winding up of the Company. The management will have the additional time to turnaround the businesses of the Group and continue to push forward the Debt-to-Equity Swap.

The management consider that the winding up of the Company is the worst situation to the shareholders and to the Company as a whole. From the above scenarios analysis, the Transactions provides the possibility for the Company to avoid the worst situation to the shareholders and to the Company as a whole and allow the management to have additional time to turnaround the situation of the Group. Furthermore, under the possible circumstance that the extension of the undertaking is not granted after the provision of Share Charge to CALT, the shareholders and the Company as a whole would not result in a worse situation.

Taken into consideration of the above, the management considered that the terms of the Transactions are on normal commercial terms and are fair and reasonable to the shareholders and to the Company as a whole.

CONDITIONS PRECEDENT

The Transactions are conditional upon, the Company obtained the approval of Independent Shareholders and such condition cannot be waived.

GENERAL INFORMATION

The Company is incorporated in Cayman Island with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 1185). It is an investment holding company whose subsidiaries are principally engaged in (i) Sales of electricity from operation of wind power field, (ii) Technical service income from new energy development operation; and (iii) Sales of new energy systems from new energy development operation.

Crownpluss, incorporated in Hong Kong with limited liability. It is a direct wholly-owned subsidiary of the Company and its principal activity is investment holding.

CASC, established in PRC with limited liability. It is the ultimate controlling shareholder of the Company. CASC is mainly engaged in the research, design, production, testing and launch services of carrier rockets, satellites, manned spaceships, cargo spaceships, deep space exploration rovers, space stations and other aerospace products and missile weapon systems, as well as the promotion and application of aerospace technology achievements in the national economy. As at the date of this Circular, CASC holds approximately 60.64% of the issued Share capital of the Company. The ultimate beneficial owner of CASC is state-owned Assets Supervision and Administration Commission of the State Council.

LETTER FROM THE BOARD

CALT, established in PRC with limited liability. It is a wholly owned subsidiary of CASC. CALT is mainly engaged in the research, design, production, testing and launch services of carrier rockets and missile weapon systems, as well as the transformation and application of the achievements in aerospace scientific research to national economic construction. As at the date of this Circular, CALT holds approximately 60.64% of the issued Share capital of the Company.

Astrotech, incorporated in the British Virgin Islands with limited liability. It is the immediate holding company of the Company and a wholly owned subsidiary of CALT. The principal activity of Astrotech is investment holding. As at the date of this Circular, Astrotech holds 60.64% of the issued Share capital of the Company.

Longyuan Benxi, a company established in PRC with limited liability. It is an indirectly 40% owned subsidiary of the Company. Its scope of business includes wind farm operation. As of the date of this Circular, Crownpluss holds 40% the registered capital of Longyuan Benxi. Set out below is the financial information represents amounts shown in the Longyuan Benxi's financial statements prepared in accordance with Hong Kong accounting standards:

	For the year ended 31 December 2022	For the six months ended 30 June 2023
	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	25,771	12,404
Profit before taxation	3,327	1,353
Profit after taxation	2,656	993
Total asset	129,785	125,708
Net asset	119,578	117,269

There are no material extraordinary items noted during the year ended 31 December 2022 and six months ended 30 June 2023.

LETTER FROM THE BOARD

Jiangsu Longyuan, a company established in PRC with limited liability. Its scope of business includes wind farm operation. As of the date of this Circular, Crownpluss holds 25% the registered capital of Jiangsu Longyuan. Set out below is the financial information represents amounts shown in the Jiangsu Longyuan's financial statements prepared in accordance with Hong Kong accounting standards:

	For the year ended 31 December 2022 (audited) <i>HK\$'000</i>	For the six months ended 30 June 2023 (unaudited) <i>HK\$'000</i>
Profit before taxation	28,718	24,614
Profit after taxation	20,718	18,197

There are no material extraordinary items noted during the year ended 31 December 2022 and six months ended 30 June 2023.

Jilin Longyuan, a company established in PRC with limited liability. Its scope of business includes wind farm operation. As of the date of this Circular, Crownpluss holds approximately 15.35% the registered capital of Jilin Longyuan. Set out below is the financial information represents amounts shown in the Jilin Longyuan's financial statements prepared in accordance with Hong Kong accounting standards:

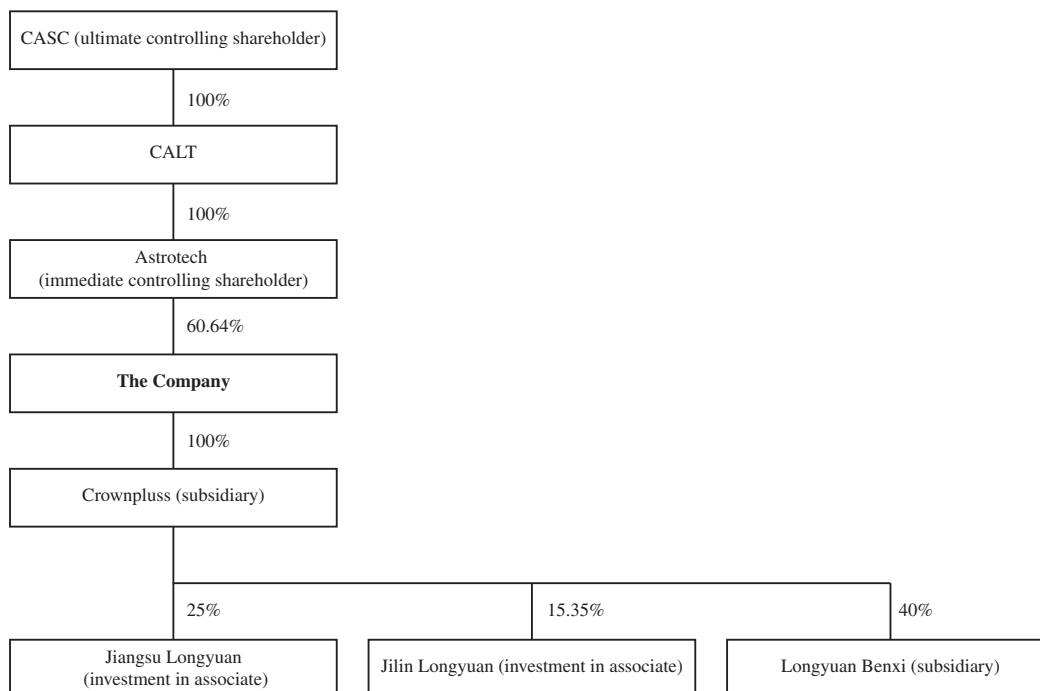
	For the year ended 31 December 2022 (audited) <i>HK\$'000</i>	For the six months ended 30 June 2023 (unaudited) <i>HK\$'000</i>
Profit before taxation	2,004	1
Profit (loss) after taxation	241	(4)

There are no material extraordinary items noted during the year ended 31 December 2022 and six months ended 30 June 2023.

LETTER FROM THE BOARD

ORGANISATION CHART

Below set out the shareholding structure of the entities mentioned in this Circular.



LISTING RULES IMPLICATIONS

CALT is the controlling shareholder of the Company interested in approximately 60.64% of the issued Share capital of the Company as at the Latest Practicable Date, and is thus a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Transactions are more than 5%, the Transactions are subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholders who have a material interest in the Transactions will be required to abstain from voting on the ordinary resolution in respect of the Transactions at the EGM. Each of CASC, CALT and Astrotech, representing approximately 60.64% of the issued Share capital of the Company as at Latest Practicable Date, will abstain from voting on the ordinary resolution in respect of the Transactions at the EGM.

LETTER FROM THE BOARD

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has any material interest in the Transactions, and therefore no other Shareholder is required to abstain from voting on the relevant resolutions approving the Transactions contemplated thereunder at the EGM.

The EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the Transactions. CASC, CALT and Astrotech with a material interest in the Transactions and their respective associates are required to abstain from voting on the resolution.

Apart from CASC, CALT and Astrotech, the Company is not aware of any other shareholders who have a material interest in the Transactions.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this Circular. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the Hong Kong branch share registrar of the Company, Tricor Standard Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment meeting if you so wish.

Independent Board Committee

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng, has been established to advise the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

None of the members of the Independent Board Committee has a material interest in the Transactions.

Your attention is drawn to the letter from the Independent Board Committee, which are set out on pages 19 to 20 of this Circular, containing its opinions as to whether the terms of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole and their recommendations as to voting.

LETTER FROM THE BOARD

Independent Financial Adviser

The Company has appointed Dakin as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

Your attention is drawn to the letter from Dakin, which are set out on pages 21 to 39 of this Circular, containing its opinions as to whether the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and their recommendations as to voting.

RECOMMENDATION

The Board (other than the independent non-executive Directors whose view is set out in the letter from the Independent Board Committee on pages 19 to 20 of this Circular) considers the Transactions to be on normal commercial terms, is of the view that their terms are fair and reasonable and the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on such resolution to be proposed at the EGM.

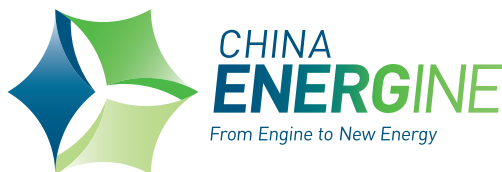
FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Engene International (Holdings) Limited
Han Qingping
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of advice from the Independent Board Committee, prepared for the purpose of incorporation into this Circular, setting out its recommendation to the Independent Shareholders regarding the Transactions:



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

22 February 2024

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY

We refer to the circular of the Company to the Shareholders dated 22 February 2024 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “DEFINITIONS” of the Circular.

We are members of the Independent Board Committee which has been formed by the Board to advise the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

We also wish to draw your attention to the letter of advice from Dakin, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transactions, which contains, among other things, Dakin’s advice, opinions and recommendations regarding the terms of the Transactions, as set out on pages 21 to 39 of the Circular, and the Letter from the Board as set out on pages 4 to 18 of the Circular.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the reasons relating to the Transactions and their terms and to the advice and, in particular, the recommendations of the Independent Financial Adviser stated in its letter of advice dated 22 February 2024, on the basis that the winding up of the Company is the worst situation to the shareholders and to the Company as a whole, the Transactions provide the possibility for the Company to avoid the worst situation to the shareholders and to the Company as a whole, and under the possible circumstance that the extension of the undertaking is not granted after the provision of Share Charge to CALT, the shareholders and the Company as a whole will not result in a worse situation, we consider that (i) the terms of the Transactions to be in ordinary course of business and are on normal commercial terms and, therefore, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions to be in the interests of the Company and the Shareholders as a whole and, accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and the respective transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of

China Engene International (Holdings) Limited

Lau Fai Lawrence

Gordon Ng

Li Dapeng

Independent Non-executive

Independent Non-executive

Independent Non-executive

Director

Director

Director

LETTER FROM DAKIN

The following is the full text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



22 February 2024

To: the Independent Board Committee and the Independent Shareholders
of China Energine International (Holdings) Limited

Dear Sirs,

CONNECTED TRANSACTIONS RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of 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 to the Shareholders dated 22 February 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Reference is made to the Company’s annual report 2020 dated 31 August 2021 in relation to the bankruptcy of Beijing Energine Industry Co., Ltd.* (北京萬源工業有限公司) (“**Beijing Energine**”). Beijing Energine, a former wholly owned indirect subsidiary of the Group, was unable to meet the repayment obligation of its liabilities, and consequently an application of the bankruptcy liquidation by the debtor against Beijing Energine was accepted by Beijing First Intermediate People’s Court effective from 25 December 2020 and bankruptcy administrator was appointed (the “**Beijing Energine Bankruptcy**”). As the result of the Beijing Energine Bankruptcy, the Group lost the control over Beijing Energine and Beijing Energine ceased to be the subsidiary of the Group. Resulting from the bankruptcy liquidation proceeding of Beijing Energine, loans advances from CALT through CASC’s subsidiary, Aerospace Science and Technology Finance Co. Ltd.* (航天科技財務有限責任公司) (“**ASTF**”) and from ASTF to Beijing Energine have constituted an event of default, which triggered the Company’s guarantee obligations provided to ASTF. In accordance with terms and conditions of the aforesaid loan advances from ASTF and relevant guarantee agreement, CALT have repaid the principal and interest expenses of the aforesaid loan advance from ASTF on behalf of the Company. As such, the Company has to fulfilled its counter guarantee and guarantee obligations in respect of the amount due to CALT by the Company, which is non-interest bearing and repayable on demand.

LETTER FROM DAKIN

As stated in the Letter from the Board, the amount due to CALT represented financial assistance provided by connected persons of the Company. The amount due to CALT is non-interest bearing and repayable on demand and amounted to HK\$1,191,872,000 as at 30 June 2023.

On 21 May 2021, CALT issued the Company a letter undertaking not to demand repayment from the Company for the aforesaid obligations and to provide all necessary financial support to the Company. Such undertakings are effective for 18 months from the issue date of the letter. On 14 March 2022, CALT, in response to the request from the Company, issued the Company another letter to grant extension of the undertaking for a further 24 months ending on 20 November 2024 and requested the Share Charge from the Company as a safeguard to the amount due to CALT. Pursuant to the Company's interim report 2023 published on 29 September 2023, the amount due to CALT amounted to HK\$1,191,872,000 as at 30 June 2023. According to the Letter from the Board, the amount due to CALT represented financial assistance provided by connected persons of the Company for the benefit of the Group, which were on normal commercial terms or better and were not secured by the assets of the Group, and were therefore fully exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions pursuant to Rule 14A.90 of the Listing Rules.

On 16 September 2022, CALT provided the Company a letter of intent confirming that CALT would agree to capitalise the amount due to CALT (the "**Debt-to-Equity Swap**") if certain criteria are met. As stated in the Letter from the Board, on the basis that the Company's financial and business performance have achieved substantial improvement, the management of the Company could facilitate the Debt-to-Equity Swap to be submitted to the relevant authority in the PRC for approval, but currently there is no substantial improvement in the Company's financial and business performance, the Company does not yet eligible to apply for Debt-to-Equity Swap approval from the relevant authority in the PRC, including but not limited to, the State-owned assets Supervision and Administration Commission. Therefore, the formal agreement for the Debt-to-Equity Swap has not been finalised and so the criteria have not been formally agreed between the parties but are expected to include the followings:

- (1) the trading of the Company's shares has been resumed;
- (2) Beijing Energine liquidation procedures have been fully completed and the amount to be paid from Beijing Energine to CALT has been fixed;
- (3) achievement by the Group of specified revenue, net profit and share price targets; and
- (4) approval of the Debt-to-Equity Swap by CASC and the relevant authority in the PRC

As at the date of this Circular, the first foresaid criteria was met and the remaining foresaid criteria are in progress.

LETTER FROM DAKIN

For the second foresaid criteria, the management of the Company has cooperated and communicated proactively with the bankruptcy administrator to speed up the liquidation process. According to the management of the Company, on 1 March 2023, Beijing Engerine repaid approximately HK\$84,222,000 to CALT and the Company's amount due to CALT was reduced by the same amount, a gain was recognised and reflected in the consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2023. The management of the Company will continue to work closely with the bankruptcy administrator so that the bankruptcy administrator would complete the procedures of Beijing Engerine liquidation as soon as possible.

For the third foresaid criteria, the management of the Company has strived the utmost effort in managing the existing businesses, including but not limited to, impose strict cost control and identify potential customers and business opportunities to enhance the operations and financial position of the Group.

For the fourth foresaid criteria, the management of the Company communicate and discuss with CASC regularly in relation the Debt-to-Equity Swap and seek the support from CASC, the management of the Company also acknowledge that CASC has sought policy advices and guidance in relation to the Debt-to-Equity Swap arrangement from the relevant authority in the PRC, including but not limited to, the State-owned Assets Supervision and Administration Commission.

For details of the future plan on the Debt-to-Equity Swap, please refer to the paragraph headed "Action plan for the repayment of the financial assistance" in the Letter from the Board.

The extension of repayment of the amount due to CALT will be expired on 20 November 2024. According to the management of the Company, they have prepared a cash flow forecast for the year ending 31 December 2024 to monitor the Group's financial and liquidity position from time to time. Based on the cash flow forecast prepared by the management of the Company, the Company does not have the sufficient internal resources to repay the amount due to CALT on 20 November 2024. Therefore, the further extension of the undertaking from CALT is required for supporting the operations of the Group and the repayment of debts when they fall due during the year ending 31 December 2024. Pursuant to the negotiation with CALT in relation to the extension of the undertaking from CALT, CALT request the Share Charge as security for the amount due to CALT. CALT will not agree to extend the undertaking with the absence of the Share Charge, and the Share Charge is a necessary condition for striving for the further extension of the undertaking not to demand repayment from the Company.

LETTER FROM DAKIN

On 30 November 2023, Crownpluss, a direct wholly-owned subsidiary of the Company, and CALT entered into Share Charge agreements, pursuant to which Crownpluss conditionally grants securities in favour of CALT by way of Shares Charges, as security for the amount due to CALT. As the Share Charge constitutes security over the assets of the Group, the receipt of financial assistance by the Group would no longer be exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions under Rule 14A.90 of the Listing Rules, and thus compliance by the Company with requirements under Chapter 14A of the Listing Rules in relation to the amount due to CALT and the Share Charge becomes necessary.

The Transactions constitutes a connected transaction of the Company under the Listing Rules and is subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules. The EGM will be held to seek the Independent Shareholders' approval of the Transactions.

According to the Letter from the Board and the Directors, Astrotech holds 2,649,244,000 Shares, representing approximately 60.64% of the issued Shares. Astrotech is a company wholly-owned by CALT. CALT is a company wholly-owned by CASC and therefore CASC is the ultimate controlling shareholder of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the Latest Practicable Date, CALT and CASC are deemed to be interested 2,649,244,000 Shares held by Astrotech and therefore they are connected persons to the Company. As the applicable percentage ratios in respect of the Transactions are more than 5%, the Transactions are subject to the reporting, announcement, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Transactions by way of a poll at the EGM. In accordance with the Listing Rules, Astrotech, CALT, CASC and its respective associates, who together hold 2,649,244,000 Shares shall abstain from the voting on the resolution(s) to be proposed at the EGM to approve the Transactions. Save as Astrotech, CALT, CASC and its respective associates, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Transactions and will be required to abstain from voting on the resolution(s) to approve the Transactions at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng, has been formed to advise the Independent Shareholders on whether the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser.

LETTER FROM DAKIN

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the Latest Practicable Date, we did not act as the financial adviser or the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement described above, no other arrangements exist whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial Shareholders, Directors, chief executive, or any of their respective associates. We are independent 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.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

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

LETTER FROM DAKIN

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the fairness and reasonableness of the Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Transactions, we have considered the following principal factors and reasons:

1. Background information of the parties

Set out below are the background information on the relevant parties to the Transactions as extracted from the Letter from the Board:

The Group

The Company is incorporated in Cayman Island with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 1185). It is an investment holding company whose subsidiaries are principally engaged in (i) sales of electricity from operation of wind power field, (ii) technical service for new energy development operation; and (iii) sales of new energy systems from new energy development operation.

The chargor – Crownpluss International Limited

Crownpluss is a company incorporated in Hong Kong with limited liability. It is a direct wholly-owned subsidiary of the Company and its principal activity is investment holding.

LETTER FROM DAKIN

The chargee – China Academy of Launch Vehicle Technology* (中國運載火箭技術研究院)

CALT is a company established in the PRC with limited liability and is a wholly owned subsidiary of CASC. CALT is mainly engaged in the research, design, production, testing and launch services of carrier rockets and missile weapon systems, as well as the transformation and application of the achievements in aerospace scientific research to national economic construction. As at the Latest Practicable Date, CALT holds 100% issued shares of the Astrotech and is deemed to be interested 2,649,244,000 Shares held by Astrotech and therefore CALT is a connected person to the Company.

The Subject Matter Companies

Aerospace Long Yuan (Benxi) Wind Power Co., Ltd.* (航天龍源(本溪)風力發電有限公司)

Longyuan Benxi is a company established in PRC with limited liability. It is an indirectly 40% owned subsidiary of the Company. Its scope of business includes wind farm operation. As of the date of this Circular, Crownpluss holds 40% the registered capital of Longyuan Benxi. Set out below is the financial information represents amounts shown in the Longyuan Benxi's financial statements prepared in accordance with Hong Kong accounting standards:

	For the year ended 31 December 2022 (audited) HK\$'000	For the six months ended 30 June 2023 (unaudited) HK\$'000
Revenue	25,771	12,404
Profit before taxation	3,327	1,353
Profit after taxation	2,656	993
Total asset	129,785	125,708
Net asset	119,578	117,269

There are no material extraordinary items noted during the year ended 31 December 2022 and six months ended 30 June 2023.

LETTER FROM DAKIN

Jiangsu Longyuan Wind Power Co., Ltd.* (江蘇龍源風力發電有限公司)

Jiangsu Longyuan is a company established in PRC with limited liability. Its scope of business includes wind farm operation. As of the date of this Circular, Crownpluss holds 25% the registered capital of Jiangsu Longyuan. Set out below is the financial information represents amounts shown in the Jiangsu Longyuan's financial statements prepared in accordance with Hong Kong accounting standards:

	For the year ended 31 December 2022 (audited) HK\$'000	For the six months ended 30 June 2023 (unaudited) HK\$'000
Profit before taxation	28,718	24,614
Profit after taxation	20,718	18,197

There are no material extraordinary items noted during the year ended 31 December 2022 and six months ended 30 June 2023.

Jilin Longyuan Wind Power Co., Ltd.* (吉林龍源風力發電有限公司)

Jilin Longyuan is a company established in PRC with limited liability. Its scope of business includes wind farm operation. As of the date of this Circular, Crownpluss holds approximately 15.35% the registered capital of Jilin Longyuan. Set out below is the financial information represents amounts shown in the Jilin Longyuan's financial statements prepared in accordance with Hong Kong accounting standards:

	For the year ended 31 December 2022 (audited) HK\$'000	For the six months ended 30 June 2023 (unaudited) HK\$'000
Profit before taxation	2,004	1
Profit/(Loss) after taxation	241	(4)

There are no material extraordinary items noted during the year ended 31 December 2022 and six months ended 30 June 2023.

LETTER FROM DAKIN

2. Financial information of the Group

The table below summarises the general financial information of the Group (i) for the financial years ended 31 December 2021 and 2022 which are extracted from the Company's annual report for the year ended 31 December 2022 (the “**Annual Report**”); and (ii) for the six months ended 30 June 2022 and 2023 which are extracted from the Company's interim report for the six months ended 30 June 2023 (the “**Interim Report**”)

Summary of the consolidated financial results of the Group

	For the year ended 31 December 2021 (audited) HK\$'000	For the year ended 31 December 2022 (audited) HK\$'000	For the six months ended 30 June 2022 (unaudited) HK\$'000	For the six months ended 30 June 2023 (unaudited) HK\$'000
Financial performance				
Revenue	9,100	41,218	13,303	12,404
Gross profit	8,020	8,945	3,253	1,975
(Loss)/Profit for the year/period	(74,140)	608,019	254	85,042
	As at 31 December 2021 (audited) HK\$'000	As at 31 December 2022 (audited) HK\$'000	As at 30 June 2023 (unaudited) HK\$'000	
Financial position				
Cash and cash equivalents	31,257	44,998		41,377
Net current liabilities	(2,061,167)	(1,282,444)		(1,157,191)
Net liabilities	(1,763,893)	(1,029,494)		(912,442)

Annual results of the Group

The Group's revenue increased from approximately HK\$9.1 million for the year ended 31 December 2021 (“**FY2021**”) to approximately HK\$41.2 million for the year ended 31 December 2022 (“**FY2022**”), representing an increase of approximately 352.9%. According to the Annual Report and the management of the Company, such increase in revenue was mainly attributable to (i) the stable operation for the wind farm of Longyuan Benxi; and (ii) the promotion for signing of investment and development agreements for several wind power and photovoltaic projects the PRC local governments, among which the photovoltaic project in Guangdong Province has obtained the filing certificate and grid access approval from the country government, and the wind power project in Sichuan Province has commenced the application for wind resource measurement. Mainly due to the reasons as mentioned above, the Group's gross profit increased from approximately HK\$8.0 million for FY2021 to approximately HK\$8.9 million for FY2022, representing an increase of approximately 11.5%.

LETTER FROM DAKIN

The Group recorded a turnaround performance from loss for the year of approximately HK\$74.1 million for FY2021 to profit for the year of approximately HK\$608.0 million for FY2022. Pursuant to the Annual Report and the management of the Company, such improvement was mainly due to (i) the operating subsidies granted to the Group by the PRC government for operation of wind farm and other technology development and the reduction approval from the PRC tax authorities on value added tax of approximately HK\$1.4 million; (ii) the gain on debt restructuring of Beijing Energiner of approximately HK\$434.5 million; and (iii) the gain on deconsolidation of two subsidiaries of approximately HK\$185.5 million.

Interim results of the Group

The Group's revenue decreased from approximately HK\$13.3 million for the six months ended 30 June 2022 (the "IR2022") to approximately HK\$12.4 million for the six months ended 30 June 2023 (the "IR2023"), representing a decrease of approximately 6.8%. As advised by the management of the Company, such decrease in revenue was mainly due to the depreciation of Renminbi during the period from IR2022 to IR2023. The gross profit decrease by approximately HK\$1.3 million, or 39.3% from approximately HK\$3.3 million for IR2022 to approximately HK\$2.0 million for IR2023. According to the management of the Company, such decrease in gross profit was mainly due to the increase in cost of wind farm operation.

The Group's profit for the period substantially increased from approximately HK\$0.3 million for IR2022 to approximately HK\$85.0 million for IR2023. Pursuant to the Interim Report, such increase in profit for the period was mainly due to the reversal of financial guarantees contracts of approximately HK\$84.2 million.

Financial position of the Group

As stated in the Annual Report and the Interim Report, cash and cash equivalent of the Group amounted to approximately HK\$31.2 million, HK\$45.0 million and HK\$41.4 million as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively. The cash and cash equivalent of the Group increased from approximately HK\$31.2 million as at 31 December 2021 to approximately HK\$45.0 million as at 31 December 2022, representing an increase of approximately 44.0%. According to the management of the Company, such increase in the cash and cash equivalent of the Group was mainly contributed by the net cash generated from operating activities of approximately HK\$16.5 million for FY2022. The cash and cash equivalent of the Group decreased from approximately HK\$45.0 million as at 31 December 2022 to approximately HK\$41.4 million as at 30 June 2023, representing a decrease of approximately 8.0%. As advised by the management of the Company, such decrease in the cash and cash equivalent of the Group is mainly due to (i) the net cash generated from investing activities of approximately HK\$3.5 million for IR2023; and offset by (ii) the net cash used in operating activities of approximately HK\$3.7 million for IR2023.

LETTER FROM DAKIN

The net current liabilities of the Group amounted to approximately HK\$2,061.2 million, HK\$1,282.4 million and HK\$1,157.2 million as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively. According to the management of the Company, such improvement in net current liabilities position were mainly due to (i) the decrease in trade and other payables contributed by the debt restructuring of Beijing Energine and the deconsolidation of two subsidiaries during FY2022; and (ii) the decrease in amount due to CALT from approximately HK\$1,439.0 million as at 31 December 2021 to approximately HK\$1,191.9 million as at 30 June 2023. The Group recorded net liabilities of approximately HK\$1,763.9 million, HK\$1,029.5 million and HK\$912.4 million as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively. According to the management of the Company, such improvement in net liabilities position were mainly due to the reasons as mentioned above.

As disclosed in the section headed “Independent Auditors’ Report” in the Annual Report, the auditors of the Company (the “**Auditors**”) did not express an opinion on the consolidated financial statements of the Group for FY2022. In particular, as disclosed in note 2 to the consolidated financial statements of the Annual Report, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK\$1,282.4 million and approximately HK\$1,029.5 million respectively. The Group’s amount due to CALT amounted to approximately HK\$1,317.1 million as at 31 December 2022, which is repayable on demand; while its cash and cash equivalents amounted to approximately HK\$45.0 million only as at 31 December 2022. The consolidated financial statements of the Group have been prepared by the Directors on a going concern basis, the validity of which depends on the outcome of plans and measures undertaken by the Directors as set out in note 2 to the consolidated financial statements of the Annual Report. The Auditors stated that in view of the significance of the extent of the uncertainties relating to the ongoing availability of finance to the Group, they have disclaimed their audit opinion in respect of the consolidated financial statements of the Group. Please refer to the section headed “Independent Auditors Report” in the Annual Report for further details.

3. Reasons for and benefits of the Transactions

Please refer to the paragraph headed “Introduction” above in this letter for the details of the background of Beijing Energine Bankruptcy, the development of the amount due to CALT by the Company and the Transactions. Pursuant to the negotiation with CALT in relation to the extension of the undertaking from CALT, CALT request the Share Charge as security for the amount due to CALT. CALT will not agree to extend the undertaking with the absence of the Share Charge, and the Share Charge is a necessary condition for striving for the further extension of the undertaking not to demand repayment from the Company.

LETTER FROM DAKIN

According to the Letter from the Board, pursuant to the negotiation with CALT, CALT will only accept the proposal for the extension of the undertaking to be submitted by the Company to CALT upon the Share Change is provided to CALT. The Company will submit the proposal for the extension of undertaking to CALT within one week upon the Share Charge is provided to CALT. CALT will then commence the internal approval process of the extension of the undertaking immediately, and based on the feedback from CALT's business department, finance department and legal department, CALT will draw the conclusion on whether the further extension of the undertaking is approved within one month time. Based on the above timeline, this is expected that the approval process of CALT will be completed before 20 November 2024 as to mitigate the risk of default of the Company. Furthermore, if the further extension of the undertaking is granted, the extension of the undertaking will be effective up until not earlier than April 2025.

As discussed in the paragraph headed "2. Financial information of the Group" above in this letter, the net current liabilities and net liabilities position of the Group had been improved from 31 December 2021 to 30 June 2023. However, as stated in the Interim Report, the Group still recorded a net current liabilities and net liabilities of approximately HK\$1,157.2 million and HK\$912.4 million as at 30 June 2023 respectively, which are mainly comprised of the amount due to CALT of approximately HK\$1,191.9 million. We have also reviewed the Company's annual report for the year ended 31 December 2021, the Annual Report and the Interim Report and noted that the Company's net cash flow from the operating activities fluctuate as (i) net cash used in operating activities of approximately HK\$94.6 million and HK\$3.3 million for the year ended 31 December 2020 ("FY2020") and 31 December 2021; (ii) net cash generated from operating activities of approximately HK\$16.5 million for FY2022; and (iii) net cash used in operating activities of approximately HK\$3.7 million for IR2023. Furthermore, the management of the Company advised that as at 30 June 2023, the Group did not have adequate cash and cash equivalents (approximately HK\$41.4 million) to repay the amount due to CALT (approximately HK\$1,191.9 million), representing a shortage of approximately HK\$1,150.5 million.

Mainly due to the net current liabilities and net liabilities position of the Group, the Directors advised us that the Company has approached two financial institutions to negotiate for debt financing. However, the Directors was informed that based on the preliminary assessment of the Group, including but not limited to, the operations, financial performance, financial position and the assets eligible for pledging at the material time, the Company will not be able to obtain bank borrowings with an amount comparable to the amount due to CALT. For detailed discussion of other financing alternatives, please refer to the paragraph headed "5. Other financing alternatives" below in this letter.

As disclosed in note 29 of the consolidated financial statements of the Interim Report, the amount due to CALT is unsecured, non-interest bearing and repayable on demand. The Directors advised us that (i) when negotiating the Transactions with CALT, CALT has considered the Group's business operation, financial performance, financial position and the assets eligible for pledging; and (ii) CALT offered an interest-free term of the amount due to CALT.

LETTER FROM DAKIN

According to the applicable PRC law and regulation and confirmed by the legal opinion from PRC lawyer, in the event that CALT is entitled to enforce against the security under the Share Charge, CALT shall not obtain the subject matter of the Share Charge at a discounted value but shall arrange for sales in open market, and the proceeds after payment of the amount owing to CALT will be returned to Crownpluss. As stated in the Letter from the Board, under the possible scenarios that there is no buyer for the Share Charge in the open market, the Subject Matter Companies might be forced to liquidate and the value of the Share Charge will be realized after the realization of assets of the Subject Matter Companies. According to the Letter from the Board, based on the unaudited interim financial statements for six months ended 30 June 2023, the Subject Matter Companies contributed 100% and approximately 95% of the revenue and total asset to the Group. For detailed information of the contribution of revenue and total asset from the Subject Matter Companies, please refer to the paragraph headed “Provision of security” in the Letter from the Board. In this regard, we have discussed with the management of the Company and be advised that the Transactions are necessary conditions for striving for the further extension of the undertaking from CALT not to demand repayment from the Company. Without arrangement of the Transactions, the further extension of the undertaking from CALT might not be granted. As stated above, the Group did not have adequate cash and cash equivalents to repay the amount due to CALT as at 30 June 2023. According to the management of the Company, if the Group is unable to obtain the further extension of the undertaking from CALT, (i) this is unlikely that the Company will have sufficient internal resources to repay the amount due to CALT on 20 November 2024; (ii) CALT has the right to take legal action against the Group once the Group defaults payment; and (iii) the insolvency might trigger the winding up of the Company on or before 20 November 2024. Pursuant to the Letter from the Board, in the event that the Share Charge are enforced by CALT, the Company will essentially loss the interests in its principal subsidiary and investment in associates.

In view of (i) the Group did not have adequate cash and cash equivalents to repay the amount due to CALT as at 30 June 2023; (ii) CALT will not agree to extend the undertaking with the absence of the Share Charge; (iii) other financing alternatives may not be feasible as discussed in the paragraph headed “5. Other financing alternatives” below in this letter; (iv) the term of interest-free of the amount due to CALT would not increase the interest burden of the Group; and (v) the principal terms of the amount due to CALT and the Share Charge agreements are on normal commercial terms, fair and reasonable as discussed in the paragraph headed “4. Principal terms of the amount due to CALT and the Share Charge agreements” below in this letter, the Directors consider that notwithstanding CALT requested the Company to provide the security for the amount due to CALT in return for the further extension, the arrangement of the Transactions could retain the Group’s cash for its business operation and short-term working capital needs to avoid the insolvency, resulting in triggering the winding up of the Company on or before 20 November 2024.

LETTER FROM DAKIN

4. Principal terms of the amount due to CALT and the Share Charge agreements

Pursuant to the Letter from the Board and the management of the Company, (i) the amount due to CALT represented financial assistance provided by connected persons of the Company; and (ii) the principal terms of the amount due to CALT includes non-interest bearing, repayment on demand and amounted to HK\$1,191,872,000 as at 30 June 2023. As stated in the Letter from the Board, the Share Charge agreements were entered into between Crownpluss and CALT, pursuant to which Crownpluss conditionally grants securities in favour of CALT by way of Shares Charge, as security for the amount due to CALT.

In order to assess the fairness and reasonableness of the terms of the amount due to CALT, we have searched for relevant loan borrowed by other companies listed on the Stock Exchange from their connected persons (the “**Loan Comparables**”) as announced during the thirty-six months period prior to and including 30 November 2023 (the “**Loan Review Period**”) and 6 Loan Comparables which (i) have a single loan size from HK\$100 million to HK\$2,000 million; (ii) with pre-fixed calculation of interest rates as at the date of the respective agreements; and (iii) has term to maturity of not more than three years are identified. We consider that the aforementioned selection criteria of the Loan Comparables during the Loan Review Period allows us to (i) capture the Loan Comparables, which provide a general reference for the recent market practice in relation to the principal terms of loan borrowed by other companies listed on the Stock Exchange from their connected persons; and (ii) generate a sufficient sample size for the purpose of our comparable analysis. We consider that the Loan Comparables can provide a general reference in relation to the terms of loans under recent market condition and sentiment and generate sufficient number of the Loan Comparables under the selection criteria as mentioned above. Therefore, the Loan Comparables are sufficient and appropriate in assessing the fairness and reasonableness of the terms of the amount due to CALT.

Details of the Loan Comparables are set out below

No.	Name of company	Stock code	Date of initial announcement/ agreement	Maximum loan amount million	Interest rate per annum	Security and/or guarantee (Y/N)	Collaterals to loan ratio (Note 1) approximate %	Repayment clause	Relationship with its lenders
1.	Xinchen China Power Holdings Limited (“Xinchen China”)	1148	11 May 2021	RMB500	4.60%	Y, pledge of production facilities owned by the wholly owned subsidiaries of Xinchen China relating to the production of crankshaft and the land use right and property ownership of buildings under the mortgage agreement and no amount of collaterals were disclosed in Xinchen China’s announcement	N/A (Note 2)	One lump-sum repayment of outstanding principal and accrued interest at maturity	Lender is owned as to 50% by the controlling shareholder of Xinchen China

LETTER FROM DAKIN

No.	Name of company	Stock code	Date of initial announcement/ agreement	Maximum loan amount million	Interest rate per annum	Security and/or guarantee (Y/N)	Collaterals to loan ratio (Note 1) approximate %	Repayment clause	Relationship with its lenders
2.	Yanchang Petroleum International Limited ("Yanchang Petroleum")	346	30 June 2021	USD22	4.80%	Y, pledge of 35% equity interest in a wholly owned subsidiary of Yanchang Petroleum under the share charge deed pursuant to which Yanchang Petroleum agreed to provide a guarantee in favour of the lender that Yanchang Petroleum shall procure on the best effort basis the carrying valuation of an indirect non-wholly owned subsidiary of Yanchang Petroleum will be not less than USD104,800,000 and no amount of collaterals were disclosed in Yanchang Petroleum's announcement	N/A (Note 2)	One lump-sum repayment of outstanding principal at maturity	Lender is the controlling shareholder of Yanchang Petroleum
3	Sam Woo Construction Group Limited ("Sam Woo")	3822	20 October 2022	HK\$100	Sum of one month HIBOR and 1.85% per annum	N	-	One lump-sum repayment of outstanding principal and accrued interest at maturity	Lender is owned as to 100% by the executive directors of Sam Woo
4	China South City Holdings Limited ("China South City")	1668	20 October 2022	RMB200	4.35%	Y, pledge of storage properties held by a wholly owned subsidiary of China South City with a gross floor area of approximately 66,492.95 sq.m. in aggregate located at Dongcheng Avenue, Banan District, Chongqing, the PRC and have the aggregated unaudited net asset value of approximately RMB147 million as at 31 March 2022	74%	Instalments every six months, with each instalment being of an amount of RMB2 million	Lender is the substantial shareholder of China South City
5	Binhai Investment Company Limited ("Binhai Investment")	2886	17 August 2023	RMB300	Sum of one year loan prime rate and 0.5% per annum	Y, pledge of (i) 100% equity interest in a wholly owned subsidiary of Binhai Investment; and (ii) 85% equity interest in a non-wholly owned subsidiary of Binhai Investment and have the aggregated unaudited book value of approximately RMB1,289 million as at 31 December 2022	430%	One lump-sum repayment of outstanding principal and accrued interest at maturity	Lender is owned as to 49% by the substantial shareholder of Binhai Investment
6	Hysan Development Company Limited ("Hysan")	14	22 November 2023	RMB200	Sum of one year loan prime rate and 0.45% per annum	Y, guarantee provide by Hysan on the full amount owed by the borrower, the indirect wholly-owned subsidiary of Hysan	-	Instalments every six months from the drawdown date of the loan	Lender is the group company of The Hong Kong and Shanghai Banking Corporation Limited who is the controlling shareholder of Hang Seng Bank Limited ("Hang Seng"). Hang Seng is a substantial shareholder of an indirect non-wholly owned subsidiary of Hysan and therefore the lender is a connected person of Hysan at subsidiary level.
	The Company	1185	30 November 2023	HK\$1,192	-	Y, pledge of the Share Charge and have the aggregated unaudited net asset value of approximately HK\$307 million	26%	One lump-sum repayment of outstanding principal at maturity	CALT is the controlling shareholder of the Company

Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM DAKIN

Notes:

1. Calculation formula of collaterals to loan ratio: amount of collaterals divided by the loan amount; and
2. The listed companies do not disclose the amount of collaterals for calculation purpose.

Interest rate per annum

As shown in the above table, we note that all the Loan Comparables request interest rates of their loans. Given the amount due to CALT is interest-free which is favourable to the Group and would not increase the Group's interest burden, we consider that the interest-free term of the amount due to CALT is fair and reasonable.

Security

The Transactions require the Share Charge as security of the amount due to CALT which is subject to the Independent Shareholders' approval at EGM. As shown in the above table, we note that five out of six Loan Comparables also require security or guarantee of their loans. Nothing has come to our attention that the arrangement of the Share Charge for the amount due to CALT is not on normal commercial terms.

Repayment clause

According to the Directors, the outstanding principal amount of the amount due to CALT shall be repaid in one lump-sum on the maturity date. As shown in the above table, four out of six Loan Comparables also repay of their loans in one lump-sum of outstanding principal and accrued interest (if any) at maturity. Nothing has come to our attention that the repayment clause of the amount due to CALT is not on normal commercial terms.

Based on the above comparable analysis on the Loan Comparables, we can summarize our findings on the principal terms of the amount due to CALT and the Share Charge:

- (i) the interest-free term of the amount due to CALT is lower than all of the Loan Comparables and would not increase the Group's interest burden;
- (ii) the arrangement of the Share Charge is not uncommon in the recent market condition and sentiment and is generally in line with market practice as compared to the Loan Comparables; and
- (iii) the one lump-sum repayment of the outstanding principal amount due to CALT is on normal commercial terms which is similar to the repayment clause of the Loan Comparables.

As such, we are of the view that the principal terms of the amount due to CALT and the Share Charge agreements are on normal commercial terms, fair and reasonable.

LETTER FROM DAKIN

Our view

Having considered that,

- (i) the Group still recorded a net current liabilities and net liabilities of approximately HK\$1,157.2 million and HK\$912.4 million as at 30 June 2023 respectively;
- (ii) as at 30 June 2023, the Group did not have adequate cash and cash equivalents to repay the amount due to CALT;
- (iii) despite improvement in its financial position after debt restructuring of Beijing Energine and the deconsolidation of two subsidiaries during FY2022, the pace of the Group's business development is still needed time to turnaround;
- (iv) the Auditors did not express an opinion on the consolidated financial statements of the Group for FY2022 in view of the significance of the extent of the uncertainties relating to the ongoing availability of finance to the Group which might cast a significant doubt on the Group's ability to continue as a going concern;
- (v) the Group's net cash flow from the operating activities remained unstable for FY2020, FY2021, FY2022 and IR2023;
- (vi) the terms of interest-free of the amount due to CALT would not increase the interest burden of the Group;
- (vii) the arrangement of the Transactions would allow the Group to retain the Group's cash for its business operation and short-term working capital needs;
- (viii) CALT will not agree to extend the undertaking with the absence of the Share Charge;
- (ix) based on the plan as advised by the management of the Company, such arrangement of the Transactions is the option available for the Company to avoid the insolvency, resulting in triggering the winding up of the Company on or before 20 November 2024, allow the Directors and the management of the Company to have additional time to turnaround the situation of the Group, continue to push forward the Debt-to-Equity Swap and protect the interests of the Company and the Shareholders;
- (x) the principal terms of the amount due to CALT and the Share Charge agreements are on normal commercial terms, fair and reasonable as discussed above in this paragraph;

LETTER FROM DAKIN

- (xi) other financing alternatives may not be feasible as discussed in the paragraph headed “5. Other financing alternatives” below in this letter; and
- (xii) all the Independent Shareholders are entitled to vote for or against the resolutions in respect of the Transactions at the EGM,

we concur with the Directors’ view that the Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Other financing alternatives

As advised by the Directors, other financing alternatives, including debt financing and other forms of equity financing such as rights issue, open offer and placing of new shares to the Independent Third Parties, have been considered.

As discussed in the paragraph headed “2. Financial information of the Group” above in this letter, the net current liabilities and net liabilities position of the Group had improved from 31 December 2021 to 30 June 2023. However, as stated in the Interim Report, the Group still recorded a net current liabilities and net liabilities of approximately HK\$1,157.2 million and HK\$912.4 million as at 30 June 2023 respectively. According to the Directors, the Company has approached two financial institutions for debt financing. However, the Directors was informed that based on the preliminary assessment of the Group, including but not limited to, the operations, financial performance, financial position and the assets eligible for pledging at the material time, the Company will not be able to obtain bank loans with an amount comparable to the amount due to CALT. In light of this, we have further discussed with the management of the Company and are advised that if the Company would like to obtain debt financing from the financial institution, the Company have to maintain the bank balance in the financial institution of the same amount of the loan drawn (the ratio of pledged bank balance to the loan size is 1:1) or provide full guarantee from the controlling shareholder. However, the management of the Company advised that (i) the requirement of pledged bank balance is not feasible for the Company after considering the cash flow forecast as prepared for the year ending 31 December 2024; and (ii) the full guarantee to be provided by the controlling shareholder of the Company is not feasible because there is a requirement for all stated-owned entities (including the controlling shareholder of the Company) that stated-owned entities are only allowed to grant guarantee in proportion to the shareholding. In other word, this is not feasible for the controlling shareholder of the Company to provide full guarantee to the Company in relation to the bank loan of the Company. Also, the management of the Company are of the view that the amount due to CALT is an interest-free loan which would not increase the Group’s interest burden. Based on the recent financial position of the Group, we concur with the Directors’ view that it is difficult for the Company to obtain bank borrowing.

LETTER FROM DAKIN

In addition to debt financing, we understand that the Directors had considered to conduct equity financing such as rights issue, open offer exercise or private placement. According to the Directors, based on the preliminary assessment of the Group, including but not limited to, the market capacity of the Company at the material time, the Company will not be able to obtain the proceed from equity financing such as placing, open offer or rights issue with an amount comparable to the amount due to CALT, which represent several multiples of the total market capitalisation of the Company. At the material time, the amount due to CALT was almost 3 times of the total market capitalisation of the Company. Also, the Directors are of the view that open offer and rights issue would incur additional costs such as underwriting commission, documentation costs of filing of a prospectus and the printing and handling of application forms and other professional fees than that of the Transactions and take a relatively longer timeframe of more than three months from the dispatch of the prospectus to commencement of dealing in the offer shares or rights shares (as the case may be) when compared to the Transactions.

In view of the above and (i) the reasons for and benefits of the Transactions as discussed in the paragraph headed “3. Reasons for and benefits of the Transactions” above in this letter; and (ii) the principal terms of the amount due to CALT and the Share Charge agreements are on normal commercial terms, fair and reasonable as discussed in the paragraph headed “4. Principal terms of the amount due to CALT and the Share Charge agreements” above in this letter, we concur with the Directors’ view that the Transactions would be the best financing alternative available to the Company.

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors’ view that although the Transactions is not in the ordinary and usual course of the Group’s business, the Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Transactions.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and the Chief Executive of the Company

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code.

(ii) Substantial shareholders

As at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as follows:

Name of shareholder	Capacity	Number of Shares	Approximately percentage of shareholding
CASC	Interest of a controlled corporation (<i>Note 2</i>)	2,649,244,000 (L)	60.64%
CALT	Interest of a controlled corporation (<i>Note 2</i>)	2,649,244,000 (L)	60.64%
Astrotech	Beneficial owner (<i>Note 2</i>)	2,649,244,000 (L)	60.64%

Notes:

1. The Letter "L" denotes the shareholders' long position in the Shares.
2. These Shares are held by Astrotech, a company wholly owned by CALT. CALT is a wholly-owned subsidiary of CASC. By virtue of the SFO, CASC and CALT are deemed to be interested in the 2,649,244,000 Shares held by Astrotech.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

3. MATERIAL ADVERSE CHANGES

Saved as disclosed herein, as at the Latest Practicable Date, there is no material adverse change in the financial position or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this Circular:

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

Dakin has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the text of its letter and references to its name in the form and context in which it appears. As at the Latest Practicable Date, Dakin did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 December 2022, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

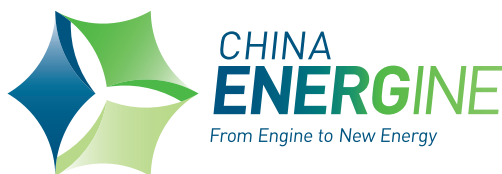
- (i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (ii) The registered office of the Independent Financial Adviser is situated at Suite 3111A, 31/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.
- (iii) The English text of this Circular prevails over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Office B, 18th Floor, Tower A, Billion Center, 1 Wang Kwong Road, Kowloon Bay, Hong Kong during normal business hours from the date of this Circular up to and including 15 March 2024:

- (a) the letter from the Board, the text of which is set out on pages 4 to 18 of this Circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this Circular;
- (c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 21 to 39 of this Circular;
- (d) the Share Charge agreements;
- (e) the written consents referred to in the paragraph headed "Experts and consent" in this Appendix;
- (f) this Circular.

NOTICE OF EGM



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China EnerGINE International (Holdings) Limited (the “**Company**”) will be held at Office B, 18th Floor, Tower A, Billion Center, 1 Wang Kwong Road, Kowloon Bay, Hong Kong on Friday, 15 March 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT** the entry into by the Company of the Transactions and the respective transactions contemplated thereunder be and are hereby approved (terms defined in the circular of the Company dated 22 February 2024 having the same meanings when used in this resolution).”

By order of the Board
China EnerGINE International (Holdings) Limited
Han Qingping
Chairman

Hong Kong, 22 February 2024

Notes:

- (1) A shareholder entitled to attend and vote at the meeting convened by the above notice (or at any adjournment thereof) is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A shareholder holding two or more shares is entitled to appoint more than one proxy. A proxy need not be a shareholder of the Company but must be present in person to represent the shareholder. Completion and return of an instrument appointing a proxy will not preclude a shareholder from attending and voting in person at the meeting (or any adjournment thereof).
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting (or at any adjournment thereof) personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

* for identification purpose only

NOTICE OF EGM

- (3) In order to be valid, the proxy form, and any power of attorney (if any) or other authority (if any) under which it is signed (or a copy of such power or authority certified notarially), must be delivered to the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for holding the meeting (or any adjournment thereof).

- (4) For determining the entitlement of the shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 March 2024 to Friday, 15 March 2024 (both days inclusive), during which no transfer of shares of the Company can be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 11 March 2024.