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CIMC ENRIC

CIMC Enric Holdings Limited
中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

CONNECTED TRANSACTION
DISPOSAL OF APPROXIMATELY 5.63% EQUITY INTERESTS IN
SHENZHEN CIMC TONGCHUANG

EQUITY TRANSFER AGREEMENT

The Board announces that on 25 August 2023 (after trading hours), CIMC Enric (Shenzhen) entered into an Equity Transfer Agreement with CIMC Investment, pursuant to which CIMC Enric (Shenzhen) has agreed to transfer, and CIMC Investment has agreed to acquire, the Sale Interest (representing approximately 5.63% of the equity interests in Shenzhen CIMC Tongchuang) at the consideration of approximately RMB33.05 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CIMC is a controlling shareholder of the Company which holds indirectly approximately 67.60% of the issued shares of the Company. CIMC Investment is a subsidiary of CIMC and hence an associate of CIMC. Therefore, CIMC Investment is a connected person of the Company. The transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 0.1% but less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 25 August 2023 (after trading hours), CIMC Enric (Shenzhen) entered into an Equity Transfer Agreement with the CIMC Investment, pursuant to which CIMC Enric (Shenzhen) has agreed to transfer, and CIMC Investment has agreed to acquire, the Sale Interest (representing approximately 5.63% of the equity interests in Shenzhen CIMC Tongchuang) at the consideration of approximately RMB33.05 million.

EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement:

Date

25 August 2023

Parties

Vendor: CIMC Enric (Shenzhen)

Purchaser: CIMC Investment

Subject Matter

Pursuant to the Equity Transfer Agreement, CIMC Enric (Shenzhen) has agreed to transfer, and CIMC Investment has agreed to acquire, the Sale Interest (representing approximately 5.63% of the equity interests in Shenzhen CIMC Tongchuang) at the consideration of approximately RMB33.05 million.

Consideration and payment terms of the Disposal

The consideration payable by CIMC Investment to CIMC Enric (Shenzhen) for the Sale Interest is approximately RMB33.05 million. The consideration shall be settled by CIMC Investment in two instalments in cash to CIMC Enric (Shenzhen). Approximately RMB 19.83 million, equivalent to 60% of the consideration payable to CIMC Enric (Shenzhen), shall be paid within 15 business days upon the effective date of the Equity Transfer Agreement (which shall take effect upon the execution of the Equity Transfer Agreements by the parties thereto). Approximately RMB13.22 million, equivalent to 40% of the consideration payable to CIMC Enric (Shenzhen), shall be paid within 15 business days after Completion.

Basis of Consideration

The consideration was determined by the parties after arm's length negotiations with reference to (i) the appraised value of the entire shareholders' interests in Shenzhen CIMC Tongchuang of approximately RMB672.49 million, which was based on the valuation conducted by an independent valuer by adopting the asset-based approach with 31 May 2023 as the reference date (before taking into account the declaration of Dividend (as defined below)); (ii) the declared dividend in the aggregate amount of approximately RMB85.85 million ("**Dividend**") to be distributed by Shenzhen CIMC Tongchuang to CIMC Enric (Shenzhen) and other shareholders of Shenzhen CIMC Tongchuang subsequent to 31 May 2023; and (iii) the percentage of equity interests of Shenzhen CIMC Tongchuang held by CIMC Enric (Shenzhen). The asset-based approach refers to a valuation method based on the balance sheet on the valuation date of the valuation target, valuing the value of the on-balance sheet and identifiable off-balance sheet assets and liabilities, and determines the value of the appraised subject.

In furtherance to the above, among the Dividend of approximately RMB85.85 million declared subsequent to 31 May 2023, approximately RMB4.84 million shall be distributed to CIMC Enric (Shenzhen) (in pro rata to its percentage of equity interests in Shenzhen CIMC Tongchuang).

Completion

Completion shall take place upon the completion of the industrial and commercial registration for the change in respect of the Disposal, which shall in turn be completed within 10 business days after the satisfaction of the following conditions: (i) the execution of the Equity Transfer Agreement; (ii) the payment of the first instalment of consideration by CIMC Investment to CIMC Enric (Shenzhen); (iii) all approvals or authorisations from the relevant authorities with respect to the transactions contemplated under the Equity Transfer Agreement having been obtained; and (iv) the representations and guarantees given by the parties under the Equity Transfer Agreement remaining to be valid, and none of the parties to the Equity Transfer Agreement having materially breached its obligations and responsibilities thereunder.

CIMC Investment and CIMC Enric (Shenzhen) have agreed that, for the period from 31 May 2023 to the date of Completion, among others, any profits or loss incurred by Shenzhen CIMC Tongchuang shall be borne or enjoyed by CIMC Investment in proportion to the Sale Interest.

INFORMATION ON SHENZHEN CIMC TONGCHUANG

Shenzhen CIMC Tongchuang is a limited liability company established in the PRC in 22 March 2016 with a registered capital of RMB526,440,500 and paid-up capital of RMB526,440,500. It is principally engaged in the supply chain management and sales services for various steel products.

As at the date of this announcement, Shenzhen CIMC Tongchuang is owned by CIMC Investment, CIMC Technology Co., Ltd.* (中集技術有限公司), Shenzhen Qili Corporate Management Partnership (Limited Partnership)* (深圳齊力企業管理合夥企業(有限合夥), CIMC Enric (Shenzhen), CIMC Vehicles (Group) Co., Ltd.* (中集車輛(集團)股份有限公司) and Cuilian (Shenzhen) Fire-fighting Equipment Co., Ltd.* (萃聯(深圳)消防裝備有限公司) as to approximately 57.48%, 21.49%, 8.70%, 5.63%, 3.80% and 2.90%, respectively. CIMC Investment, CIMC Technology Co., Ltd., CIMC Vehicles (Group) Co., Ltd. and Cuilian (Shenzhen) Fire-fighting Equipment Co., Ltd. are controlled by CIMC. Upon the Completion, CIMC Enric (Shenzhen) will no longer hold any equity interest in Shenzhen CIMC Tongchuang.

According to the consolidated financial statements of Shenzhen CIMC Tongchuang, the financial information of Shenzhen CIMC Tongchuang for the years ended 31 December 2021 and 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises is set out below:

| | For the years ended | |
|-----------------------|----------------------------|------------------|
| | 31 December | |
| | 2021 | 2022 |
| | <i>RMB('000)</i> | <i>RMB('000)</i> |
| | <i>(Audited)</i> | <i>(Audited)</i> |
| Net profit before tax | 58,034.86 | 77,211.72 |
| Net profit after tax | 49,742.67 | 64,255.32 |

The audited total assets and net assets on a consolidated basis of Shenzhen CIMC Tongchuang as of 31 December 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises were approximately RMB2,968.96 million and RMB564.49 million, respectively.

The unaudited consolidated net asset value attributable to equity shareholders of Shenzhen CIMC Tongchuang as at 31 May 2023 was approximately RMB662.95 million.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

It is estimated that the Company will record a gain of approximately RMB80,000 from the Disposal, which is calculated on the basis of the difference between the book value of the 5.63% equity interest in Shenzhen CIMC Tongchuang held by CIMC Enric (Shenzhen) and the consideration payable to CIMC Enric (Shenzhen) under the Disposal.

After deducting the expenses relating to the Disposal, the net proceeds of approximately RMB33.02 million is expected to be applied towards the general working capital and business development of the Group. Shareholders should note that the financial effect shown above is for reference only and the actual amount of gain or loss resulting from the Disposal will eventually be recognised in the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Back in 2018, the Company acquired minority interests in Shenzhen CIMC Tongchuang by capital injection with the intention to benefit from a quality supply chain service, by taking advantage of Shenzhen CIMC Tongchuang's scaled procurement of carbon steel and stainless steel. Subsequently, a stable strategic procurement cooperation relationship was gradually developed over the years among Shenzhen CIMC Tongchuang, the Group and first-tier steel mills in the PRC. At the same time, Shenzhen CIMC Tongchuang has adopted a product diversification strategy which has led to rapid growth of its product range, expanding from carbon steel and stainless steel which the Group primarily used in its business operation, to other steel types, such as wheel steel, mould steel and offshore engineering steel structure processed parts. As such business diversification of Shenzhen CIMC Tongchuang requires significant capital investment from shareholders, and the diversified business direction of Shenzhen CIMC Tongchuang to steel trading and steel processing deviates from the principal business of the Group, the Directors considered that further allocation of capital resources to Shenzhen CIMC Tongchuang may no longer serve the best interests of the Group.

In light of the aforesaid, the Directors considered the Disposal would be a good opportunity for the Group to recover its earlier investment in Shenzhen CIMC Tongchuang, which would enable the Group to better reallocate its resources. As aforementioned, the proceeds from the Disposal would be applied towards the general working capital and business development of the Group. The Directors believe that notwithstanding the Group would cease to hold any equity interests in Shenzhen CIMC Tongchuang after the Completion, as Shenzhen CIMC Tongchuang would remain as a subsidiary of CIMC, the Group would be able to maintain the current business relationship with Shenzhen CIMC Tongchuang at normal commercial terms.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Disposal is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Equity Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

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

CIMC

CIMC is a joint stock company established in the PRC with limited liability, with its H Shares listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2039) and A Shares listed on the Shenzhen Stock Exchange (stock code: 000039). CIMC Group is a world-leading equipment and solution provider in the logistics and energy industries and is principally engaged in the manufacture of containers, road transportation vehicles, energy, chemical and liquid food equipment, offshore engineering equipment, logistics service and airport facilities equipment.

CIMC Investment

CIMC Investment is a company incorporated in the PRC and a direct wholly-owned subsidiary of CIMC. It is principally engaged in equity investment and management.

CIMC Enric (Shenzhen)

CIMC Enric (Shenzhen) is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

LISTING RULES IMPLICATIONS

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As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 0.1% but less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | any day (other than a Saturday or a Sunday) on which banks in the PRC are generally open for normal banking business |
| “CIMC” | China International Marine Containers (Group) Co., Ltd.*(中國國際海運集裝箱(集團)股份有限公司), the controlling shareholder of the Company |
| “CIMC Enric (Shenzhen)” | CIMC Enric Investment Holdings (Shenzhen) Ltd.*(中集安瑞科投資控股(深圳)有限公司), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of the Company |
| “CIMC Investment” | Shenzhen CIMC Investment Co., Ltd.*(深圳市中集投資有限公司) |
| “Company” | CIMC Enric Holdings Limited (中集安瑞科控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 September 2004 under the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange |
| “Completion” | the completion of the Disposal |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of 5.63% equity interest in Shenzhen CIMC Tongchuang by CIMC Enric (Shenzhen) to CIMC Investment pursuant to the Equity Transfer Agreement |

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|-----------------------------|---|
| “Equity Transfer Agreement” | the equity transfer agreement dated 25 August 2023 and entered into among CIMC Enric (Shenzhen) and CIMC Investment, pursuant to which CIMC Enric (Shenzhen) has agreed to transfer, and CIMC Investment has agreed to acquire, the Sale Interest (representing approximately 5.63% of the equity interests in Shenzhen CIMC Tongchuang) at the consideration of approximately RMB33.05 million |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “Sale Interest” | Representing approximately 5.63% of the equity interests in Shenzhen CIMC Tongchuang held by CIMC Enric (Shenzhen) prior to the Completion |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company |
| “Shareholder(s)” | registered holder(s) of Shares |
| “Shenzhen CIMC Tongchuang” | Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司), a company established in the PRC with limited liability |

“Shenzhen Stock Exchange” the Shenzhen Stock Exchange

“%” per cent

* *For identification purpose only*

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

Hong Kong, 25 August 2023

As at the date of this announcement, the Board consists of Mr. Gao Xiang (Chairman) as non-executive Director, Mr. Yang Xiaohu (President) as executive Director; Mr. Yu Yuqun, Mr. Zeng Han and Mr. Wang Yu as non-executive Directors; and Mr. Tsui Kei Pang, Mr. Wang Caiyong, Mr. Yang Lei and Ms. Wong Lai, Sarah as independent non-executive Directors.