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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

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

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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)

- (1) PROPOSED ISSUE OF NEW SHARES UNDER
THE RESTRICTED SHARE AWARD SCHEME (2018)
PURSUANT TO SPECIFIC MANDATE**
- (2) CONNECTED TRANSACTION – PROPOSED ISSUE OF
NEW SHARES TO CONNECTED PERSONS UNDER
THE RESTRICTED SHARE AWARD SCHEME (2018)
PURSUANT TO SPECIFIC MANDATE**
- (3) RE-ELECTION OF RETIRING DIRECTOR
AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from Innovax containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on page 21 to 43 of this circular.

A notice convening the EGM to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 10 August 2018 at 3:00 p.m. is set out on pages 59 to 61 of this circular.

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

25 July 2018

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DEFINITIONS

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

“Adoption Date”	26 June 2018 (being the date on which the Scheme is approved for adoption)
“Announcement”	the announcement of the Company dated 26 June 2018 in relation to, among other things, the adoption of the Scheme and proposed issue of the Restricted Shares
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CAGR”	compound annual growth rate
“Charm Wise”	Charm Wise Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of CIMC
“CIMC”	中國國際海運集裝箱(集團)股份有限公司 (China International Marine Containers (Group) Co., Ltd.*), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, and the controlling shareholder of the Company
“CIMC Group”	CIMC and its subsidiaries (but excluding members of the Group) and associates
“CIMC HK”	China International Marine Containers (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CIMC
“Company”	CIMC Enric Holdings Limited, an exempted company incorporated in the Cayman Islands on 28 September 2004 with limited liability under the Companies Law (Revised) of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange

* For identification purposes only

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Connected Restricted Shares”	an aggregate of not more than 15,570,000 Restricted Shares which are proposed to be awarded to the Connected Selected Participants
“Connected Restricted Shares Grant”	grant of new Shares as Restricted Shares to the Connected Selected Participants by way of issue and allotment of new Shares
“Connected Selected Participants”	Selected Participants who are connected persons of the Company
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 10 August 2018 at 3:00 p.m. to approve, among other things, the Specific Mandate and the Connected Restricted Shares Grant
“Eligible Participant”	any directors (excluding independent non-executive Directors), senior management, middle management or any other backbone employees of the Group who have a direct influence on the operating performance and future development of the Company, and any other persons the Board may approve
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all independent non-executive Directors, namely Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian

DEFINITIONS

“Independent Shareholders”	the Shareholders who are not required to abstain from voting on the resolution(s) in respect of the making of the grant of Specific Mandate and the Connected Restricted Shares Grant in the general meeting under the Listing Rules
“Innovax” or “Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Restricted Shares Grant
“Interests”	interests at the benchmark interest rate for RMB loan for 1 year promulgated by the People’s Bank of China on the date of the Announcement
“Latest Practicable Date”	20 July 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Market Price”	the average closing price of the Shares as quoted on the Stock Exchange for the 10 trading days after the announcement of the audited financial statements of the Company for the previous financial year in that year
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Other Restricted Shares”	an aggregate of not more than 34,430,000 Restricted Shares which are proposed to be awarded to the Other Selected Participants
“Other Selected Participants”	Selected Participants who are not the Connected Selected Participants

DEFINITIONS

“PRC”	the People’s Republic of China, and for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Related Distribution”	for the purpose of the Scheme, distribution(s) derived from the Restricted Shares referable to the Selected Participants for the period from the date of issue of the Restricted Shares to the Vesting Date (both dates inclusive), which shall include distributions whether in cash form such as cash dividends and cash form of scrip dividend, or in other form such as scrip dividend and proceeds of bonus Shares pursuant to the Scheme, but exclude nil paid rights, bonus warrants, non-cash and non-scrip distributions or proceeds of sale of the same
“Restricted Shares”	the Shares to be granted to the Selected Participants pursuant to the Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	CIMC Enric Holdings Limited Restricted Share Award Scheme (2018) adopted by the Company on the Adoption Date, as amended from time to time
“Selected Participant(s)”	those Eligible Participant(s) being selected to be awarded the Restricted Shares according to the rules of the Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	a mandate to be granted to the Directors at the EGM to issue and allot not more than a total of 50,000,000 Shares as Restricted Shares pursuant to the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$3.71 per Restricted Share

DEFINITIONS

“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Trust”	the relevant trust constituted by the Trust Deed to serve the Scheme
“Trust Deed”	the trust deed between the Company and the Trustee (as may be restated, supplemented and amended from time to time) in relation to the Scheme
“Trustee”	the trustee appointed by the Company for the purpose of the Trust, the trustee on the Adoption Date is BOCI-Prudential Trustee Limited, who is independent from the Company and connected persons of the Company
“Vesting Date”	in respect of a Selected Participant, the date on which his entitlement to the Restricted Shares accrues in accordance with the vesting conditions as imposed by the Board
“%”	per cent.

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Executive Directors:

Gao Xiang (*Chairman*)

Yang Xiaohu (*General Manager*)

Non-executive Directors:

Yu Yuqun

Wang Yu

Zeng Han

Jin Yongsheng

Independent Non-executive Directors:

Wong Chun Ho

Tsui Kei Pang

Zhang Xueqian

Registered Office:

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Grand Cayman KY1-1111

Cayman Islands

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CIMC R&D Center

No. 2 Gangwan Avenue

Shekou Industrial Zone

Shenzhen, Guangdong

The PRC

25 July 2018

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ISSUE OF NEW SHARES UNDER
THE RESTRICTED SHARE AWARD SCHEME (2018)
PURSUANT TO SPECIFIC MANDATE**
- (2) CONNECTED TRANSACTION – PROPOSED ISSUE OF
NEW SHARES TO CONNECTED PERSONS UNDER
THE RESTRICTED SHARE AWARD SCHEME (2018)
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- (3) RE-ELECTION OF RETIRING DIRECTOR
AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you, among other things, (i) certain details of the Scheme; (ii) details of the Connected Restricted Shares Grant and the Specific Mandate; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) re-election of a retiring Director and to give notice of the EGM to the Shareholders at which resolutions will be proposed to approve (1) the grant of the Specific Mandate for the issue and allotment of the Restricted Shares to the Selected Participants and the Connected Restriction Share Grants and (2) to re-elect the retiring Director and to provide other relevant information in accordance with the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to consider and to advise the Independent Shareholders as to whether the terms of the grant of the Connected Restricted Shares to the Connected Selected Participants are fair and reasonable, and the grant of the Connected Restricted Shares to the Connected Selected Participants is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the above. Innovax has been appointed by the Company as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the grant of the Connected Restricted Shares to the Connected Selected Participants.

2. ADOPTION OF THE SCHEME

On 26 June 2018, the Company adopted the Scheme. A summary of the principal terms and conditions of the Scheme is set out in Appendix I to this circular.

3. DETAILS OF THE AWARDED SHARES

On 26 June 2018, the Board has resolved to, subject to the approval of the Independent Shareholders, grant not more than a total of 50,000,000 Restricted Shares to not more than a total of 500 Selected Participants under the Scheme by way of issue and allotment of new Shares pursuant to the Specific Mandate which may be granted by the Independent Shareholders at the EGM.

Among the Restricted Shares to be granted, not more than 15,570,000 Connected Restricted Shares will be awarded to 41 Connected Selected Participants; and not more than 34,430,000 Other Restricted Shares will be awarded to not more than 459 Other Selected Participants. The Connected Selected Participants had been selected and their names are disclosed in the section headed "*Award to Connected Selected Participants*" below. All Other Selected Participants will be selected and confirmed before the issue and allotment of the Other Restricted Shares. The Restricted Shares to be granted are subject to acceptance, all or in part of the grant of the Restricted Shares, of the Selected Participants within the time as stipulated in the grant letter of the Company.

LETTER FROM THE BOARD

Upon issue and allotment of the Restricted Shares, the Trustee will hold the Restricted Shares on trust for the Selected Participants and such Restricted Shares granted shall be transferred to the Selected Participants upon satisfaction of their respective vesting conditions. The Restricted Shares held by the Trustee on trust for the Selected Participants will not be counted as shares held by public. The number Restricted Shares granted to each Selected Participant under the Scheme was determined in accordance with their positions and grade.

Shareholding Structure of the Company

For illustrative purpose only, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately upon the issue and allotment of the Restricted Shares pursuant to the Specific Mandate (assuming no change to the number of Shares before the issue and allotment of the Restricted Shares):

	As at the Latest Practicable Date		Immediately after the issue and allotment of the Restricted Shares pursuant to the Specific Mandate with maximum number of the Restricted Shares to be issued and allotted	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
CIMC (<i>Note 1</i>)	1,371,016,211	70.31%	1,371,016,211	68.55%
Trustee (<i>Note 2</i>)	–	–	50,000,000	2.5%
Other Shareholders	578,889,877	29.69%	578,889,877	28.95%
Total	<u>1,949,906,088</u>	<u>100%</u>	<u>1,999,906,088</u>	<u>100%</u>

Notes:

1. These Shares comprise 190,703,000 Shares held by Charm Wise, 1,180,313,211 Shares held by CIMC HK. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC.
2. These Shares will be held by the Trustee on behalf of the Selected Participants.

LETTER FROM THE BOARD

Award to Connected Selected Participants

The Connected Restricted Shares are proposed to be granted to the following Connected Selected Participants:

Connected Selected Participants	Relationship with the Group	Number of Connected Restricted Shares to be granted	Market Value of the Connected Restricted Shares as at the Latest Practicable Date <i>(Note)</i>	Approximate % of the total number of issued Shares as at the Latest Practicable Date <i>(%)</i>	Approximate % of the total number of issued Shares as enlarged by the issue and allotment of the Restricted Shares <i>(%)</i>
Mr. Gao Xiang	Director of the Company	1,000,000	7,700,000	0.05	0.05
Mr. Yang Xiaohu	Director of the Company	1,200,000	9,240,000	0.06	0.06
Mr. Yu Yuqun	Director of the Company	400,000	3,080,000	0.02	0.02
Mr. Wang Yu	Director of the Company	400,000	3,080,000	0.02	0.02
Mr. Zeng Han	Director of the Company	400,000	3,080,000	0.02	0.02
36 directors of certain subsidiaries of the Company:	Director of certain subsidiaries of the Company	12,170,000	93,709,000	0.62	0.61
Mr. Cheong Siu Fai		600,000	4,620,000	0.03	0.03
Mr. Au Kin Pang		50,000	385,000	0.003	0.003
Ms. Wang Shuhong		70,000	539,000	0.004	0.004
Ms. Yang Baoying		550,000	4,235,000	0.03	0.03
Mr. Ju Xiaofeng		600,000	4,620,000	0.03	0.03
Mr. Zhang Biao		180,000	1,386,000	0.01	0.01
Mr. Zhang Yaobing		200,000	1,540,000	0.01	0.01
Mr. Yu Jiamin		450,000	3,465,000	0.02	0.02
Mr. Liu Sidong		200,000	1,540,000	0.01	0.01

LETTER FROM THE BOARD

Connected Selected Participants	Relationship with the Group	Number of Connected Restricted Shares to be granted	Market Value of the Connected Restricted Shares as at the Latest Practicable Date <i>(Note)</i>	Approximate % of the total number of issued Shares as at the Latest Practicable Date <i>(%)</i>	Approximate % of the total number of issued Shares as enlarged by the issue and allotment of the Restricted Shares <i>(%)</i>
Mr. Sun Hongli		450,000	3,465,000	0.02	0.02
Mr. Shi Caixing		900,000	6,930,000	0.05	0.05
Mr. Luo Xuming		150,000	1,155,000	0.01	0.01
Mr. Li Huai'en		100,000	770,000	0.01	0.01
Mr. Huo Lating		900,000	6,930,000	0.05	0.05
Mr. Xu Yongsheng		550,000	4,235,000	0.03	0.03
Ms. Li Fen		200,000	1,540,000	0.01	0.01
Mr. Xu Zhiquan		250,000	1,925,000	0.01	0.01
Mr. Zhang Zhongqiang		400,000	3,080,000	0.02	0.02
Mr. Zheng Zhijun		500,000	3,850,000	0.03	0.03
Mr. Hu Xiaobing		30,000	231,000	0.002	0.002
Mr. Li Junfang		300,000	2,310,000	0.02	0.02
Mr. Xiao Xiuping		300,000	2,310,000	0.02	0.02
Mr. Zhao Dequan		300,000	2,310,000	0.02	0.02
Mr. Liang Dongzhou		250,000	1,925,000	0.01	0.01
Mr. Fang Gongsheng		150,000	1,155,000	0.01	0.01
Mr. Ji Guoxiang		700,000	5,390,000	0.04	0.04
Mr. Gao Wenbao		700,000	5,390,000	0.04	0.04

LETTER FROM THE BOARD

Connected Selected Participants	Relationship with the Group	Number of Connected Restricted Shares to be granted	Market Value of the Connected Restricted Shares as at the Latest Practicable Date <i>(Note)</i>	Approximate % of the total number of issued Shares as at the Latest Practicable Date <i>(%)</i>	Approximate % of the total number of issued Shares as enlarged by the issue and allotment of the Restricted Shares <i>(%)</i>
Mr. Wang Huaisheng		100,000	770,000	0.01	0.01
Mr. Ko Brink		600,000	4,620,000	0.03	0.03
Mr. Arend Muggen		300,000	2,310,000	0.02	0.02
Mr. Klaus Gehrig		300,000	2,310,000	0.02	0.02
Mr. Lars Roed		300,000	2,310,000	0.02	0.02
Mr. Robert Buxton		200,000	1,540,000	0.01	0.01
Mr. Anton Dirven		200,000	1,540,000	0.01	0.01
Mr. G. Crombie		70,000	539,000	0.004	0.004
Mr. K. Leach		70,000	539,000	0.004	0.004
Total		<u>15,570,000</u>	<u>119,889,000</u>	<u>0.80</u>	<u>0.78</u>

Note: The market value of the Connected Restricted Shares as at the Latest Practicable Date was calculated based on the closing price of HK\$7.70 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Each Director as disclosed in the table above has abstained from approving the relevant board resolutions on the grant of the relevant Connected Restricted Shares to himself.

The 15,570,000 Connected Restricted Shares represent approximately 0.80% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.78% of the total number of issued Shares as enlarged by the issue and allotment of 50,000,000 Restricted Shares pursuant to the Scheme.

LETTER FROM THE BOARD

Award to Other Selected Participants

Not more than 34,430,000 Other Restricted Shares are proposed to be granted to not more than 459 Other Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Other Selected Participants are not connected persons of the Company.

Conditions

The issue and allotment of the Connected Restricted Shares to the Connected Selected Participants shall be subject to:

- (i) the approval by the Independent Shareholders at the general meeting of the Company in respect of the Specific Mandate for the issue and allotment of the Connected Restricted Shares; and
- (ii) the grant of the listing approval by the Listing Committee in respect of the Connected Restricted Shares.

The issue and allotment of the Other Restricted Shares to the Other Selected Participants shall be subject to:

- (i) the approval by the Independent Shareholders at the general meeting of the Company in respect of the Specific Mandate for the issue and allotment of the Other Restricted Shares; and
- (ii) the grant of the listing approval by the Listing Committee in respect of the Other Restricted Shares.

(collectively, the “**Conditions**”)

The issue and allotment of all the Restricted Shares to the Selected Participants shall also be subject to the condition that no Director is in possession of inside information (as defined under the Listing Rules) in relation to the Group or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Application will be made to the Stock Exchange for the granting of the listing of a maximum number of 50,000,000 new Shares, which may be issued and allotted under the Specific Mandate. The Company shall comply with the relevant Listing Rules when issuing and allotting any new Restricted Shares under the Specific Mandate. Other than the maximum number of 50,000,000 Restricted Shares which may be issued and allotted under the Specific Mandate, the Company cannot make any further grant of new Restricted Shares under the Scheme.

LETTER FROM THE BOARD

Further Details of the Restricted Shares

Further information in relation to the issue and allotment of not more than a total of 50,000,000 Restricted Shares to the Selected Participants is set out below:

- Securities to be issued:** An aggregate of not more than a total of 50,000,000 new Shares, comprising:
- (i) not more than 15,570,000 Connected Restricted Shares to be issued and allotted to 41 Connected Selected Participants; and
 - (ii) not more than 34,430,000 Other Restricted Shares to be issued and allotted to not more than 459 Other Selected Participants.
- Issue Price:** HK\$3.71, the maximum aggregate nominal value of the Restricted Shares is HK\$500,000.
- Funds to be raised:** Not more than HK\$185,500,000, being the aggregated Subscription Price for the Restricted Shares, will be paid by the Selected Participants to the Company to subscribe for not more than 15,570,000 Connected Restricted Shares and not more than 34,430,000 Other Restricted Shares. The Company intends to use the net proceeds from the issue and allotment of Restricted Shares as general working capital of the Group.
- Market price of the Shares:** The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$7.70 per Share.
- The average closing price of the Shares for the five consecutive trading days immediately preceding the Latest Practicable Date as quoted on the Stock Exchange was HK\$7.76 per Share.
- Market value of Restricted Shares:** Based on the closing price of HK\$7.70 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market values of 15,570,000 Connected Restricted Shares and 34,430,000 Other Restricted Shares are HK\$119,889,000 and HK\$265,111,000, respectively.

LETTER FROM THE BOARD

Percentage of Restricted Shares in the share capital of the Company:	The aggregate of not more than 50,000,000 Restricted Shares to be issued and allotted by the Company to the Selected Participants represent approximately 2.56% of the total number of Shares in issue as at the Latest Practicable Date and approximately 2.50% of the total number of Shares in issue as enlarged by the issue and allotment of the Restricted Shares.
Status of Restricted Shares:	The Restricted Shares, when issued and fully paid, shall rank <i>pari passu</i> among themselves and with those Shares in issue, on or after the date of issue and allotment.
Identity of the allottee(s):	The Trustee will hold the Restricted Shares awarded under the Scheme on trust in accordance with the Trust Deed for the Selected Participants under the Scheme.
Vesting:	All Restricted Shares shall be transferred to the Selected Participants subject to the satisfaction of the vesting conditions.
Fund raising activities in the past 12 months:	Save as disclosed above, the Company has not engaged in any fund raising exercises in the 12 months immediately preceding the Latest Practicable Date.

As disclosed in paragraph headed “*Vesting*” of Appendix I of this circular, after the third vesting period, if there is any non-fulfillment of the vesting conditions in relation to net profit of Company, and if the Market Price is equal to or lower than the sum of the Subscription Price of the Restricted Shares and the Interests per Restricted Share, the remaining Unvested Shares shall be vested and transferred to the Selected Participants. The Company considers that the vesting of the Unvested Shares to the Selected Participants in the above scenario is for the best interest of the Company since the then market value of the Shares will be lower than the Subscription Price of the Shares paid by the Selected Participants, and therefore avoiding the Company incurring a loss for selling such Unvested Shares.

4. REASONS FOR AND BENEFITS OF THE AWARD OF THE RESTRICTED SHARES

The Scheme forms part of the incentive schemes of the Group. The Scheme, when adopted, provides a means for the Company to retain its key personnel of the Group, to motivate and incentivise the senior management and key personnel and to further and share the growth of business of the Group.

LETTER FROM THE BOARD

The Board considers that the Scheme would also recognize the continual support of the relevant employees to the Group and their effort in promoting the Group's long-term growth and development.

5. LISTING RULES IMPLICATIONS

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Seeking of Specific Mandate under the Scheme

As it is intended that the Restriction Shares will be issued and allotted under the Scheme, Shareholders' approval is required pursuant to Rule 13.36(1) of the Listing Rules prior to issuing and allotting new Shares as Restricted Shares under the Scheme. The Company will seek the Shareholders' approval at the EGM for the Specific Mandate for the new Shares as Restricted Shares to be issued and allotted pursuant to the Scheme. An ordinary resolution will be proposed at the EGM to consider and, if thought fit, to approve the Specific Mandate.

Connected Restricted Shares Grants

As 41 Connected Selected Participants are connected persons of the Company, the proposed grant of the Connected Restricted Shares to those Connected Selected Participants constitute connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. RE-ELECTION OF A RETIRING DIRECTOR

Reference is made to the announcement of the Company dated 18 May 2018, where it was announced that, *inter alia*, Mr. Zeng Han was appointed as a non-executive Director with effect from 18 May 2018. Pursuant to A.4.2 of Appendix 14 to the Listing Rules and article 86(3) of the articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company, and shall then be eligible for re-election at the general meeting. Accordingly, Mr. Zeng Han will retire from office as a non-executive Director and, being eligible, offer himself for re-election at the EGM.

Biographical details of Mr. Zeng Han proposed to be re-elected at EGM was set out in Appendix II to this circular.

LETTER FROM THE BOARD

7. EGM

The EGM will be convened and held to consider and, if thought fit, to approve the grant of Specific Mandate for issue and allotment of the Restricted Shares to the Selected Participants, the Connected Restricted Shares Grant and the re-election of the retiring Director. A notice convening the EGM to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 10 August 2018 at 3:00 p.m. is set out on pages 59 to 61 of this circular. The approval of the grant of Specific Mandate and the Connected Restricted Shares Grant are inter-conditional to each other and therefore only one single resolution on such matters will be voted at the EGM (i.e. Resolution No. 1 in the notice of the EGM).

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

Any Shareholder with a material interest in the Connected Restricted Shares Grant and the grant of Specific Mandate is required to abstain from voting on the relevant resolution to approve the issue and allotment of the Connected Restricted Shares and the grant of Specific Mandate at the EGM. As at the Latest Practicable Date, the respective shareholdings for the Selected Participants and their associates who are Shareholders being required to abstain from voting on the relevant resolution on the grant of Connected Restricted Shares and the grant of Specific Mandate are as follows:

	Number of Shares required to abstain from voting	Approximate % of Shares in issue
Directors and their associates	Nil	Nil
Directors of certain subsidiaries of the Company and their associates	135,990	0.007
Total	<u>135,990</u>	<u>0.007</u>

Save as disclosed above, to the best of the Directors' knowledge, information and belief, no other Shareholder has a material interest in the Connected Restricted Shares Grant and the grant of Specific Mandate and accordingly none of them is required to abstain from voting on the relevant resolution to approve the issue and allotment of the Connected Restricted Shares and the grant of Specific Mandate at the EGM.

LETTER FROM THE BOARD

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

8. INFORMATION OF THE PARTIES

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that are widely used in the energy, chemical and liquid food industries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Trustee is independent from the Company and connected persons of the Company.

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that while the grant of the Connected Restricted Shares is not in the ordinary and usual course of business of the Group, the terms of the grant of the Connected Restricted Shares to the Connected Selected Participants are fair and reasonable, and the grant of the Connected Restricted Shares to the Connected Selected Participants is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The Directors (including the independent non-executive Directors) believe that the terms of the grant of the Other Restricted Shares to the Other Selected Participants are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The Directors are of the opinion that the proposed resolution to re-elect the retiring Director is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, which contains its recommendation to the Independent Shareholders as to the grant of the Connected Restricted Shares to the Connected Selected Participants; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 43 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the grant of the Connected Restricted Shares to the Connected Selected Participants and reasons considered by it in arriving at its opinion.

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

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

25 July 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION – PROPOSED ISSUE OF
NEW SHARES TO CONNECTED PERSONS UNDER
THE RESTRICTED SHARE AWARD SCHEME (2018)
PURSUANT TO SPECIFIC MANDATE**

We refer to the circular of the Company dated 25 July 2018 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular have the same meaning when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the terms of the grant of the Connected Restricted Shares to the Connected Selected Participants are fair and reasonable, and the grant of the Connected Restricted Shares to the Connected Selected Participants is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the above.

Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to grant of the Connected Restricted Shares. The text of the letter of advice from Innovax to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 43 of the Circular.

We also wish to draw your attention to the letter from the Board, as set out on pages 6 to 18 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have considered the principal factors taken into account by the Independent Financial Adviser in arriving at its opinion in respect of the grant of the Connected Restricted Shares. After taking into consideration, we are of the view that while the grant of the Connected Restricted Shares is not in the ordinary and usual course of business of the Group, the terms of the grant of the Connected Restricted Shares to the Connected Selected Participants are fair and reasonable, and the grant of the Connected Restricted Shares to the Connected Selected Participants is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution in respect of the grant of the Connected Restricted Shares to the Connected Selected Participants.

Yours faithfully,

For and on behalf of the Independent Board Committee
CIMC Enric Holdings Limited

Mr. Wong Chun Ho

Mr. Tsui Kei Pang
Independent Non-executive Directors

Mr. Zhang Xueqian

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Innovax Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



To the Independent Board Committee and the Independent Shareholders,

25 July 2018

Dear Sirs,

**CONNECTED TRANSACTION –
PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS
UNDER THE RESTRICTED SHARE AWARD SCHEME (2018)
PURSUANT TO SPECIFIC MANDATE**

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Restricted Shares Grant, details of which are set out in the Letter from the Board contained in this circular of the Company dated 25 July 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

On 26 June 2018, the Board resolved to adopt the Scheme to grant not more than a total of 50,000,000 Restricted Shares to not more than 500 Selected Participants under the Scheme, of which, (i) not more than 15,570,000 Connected Restricted Shares will be awarded to 41 Connected Selected Participants; and (ii) not more than 34,430,000 Other Restricted Shares will be awarded to not more than 459 Other Selected Participants, by way of issue and allotment of new Shares pursuant to the Specific Mandate.

As at the Latest Practicable Date, the 41 Connected Selected Participants are connected persons of the Company under Chapter 14A of the Listing Rules as the Connected Selected Participants are Directors or directors of certain subsidiaries of the Company. As such, the issue and allotment of the Connected Restricted Shares to those Connected Selected Participants constitutes connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. WONG Chun Ho, Mr. TSUI Kei Pang and Mr. ZHANG Xueqian, has been formed to advise the Independent Shareholders as to whether the Connected Restricted Shares Grant is fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Independent Shareholders as a whole and how to vote in the relevant resolutions in the EGM. In our capacity as the Independent Financial Adviser, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The EGM will be convened on 10 August 2018. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the EGM. Accordingly, the 41 Connected Selected Participants and their respective associates, who in aggregate hold approximately 0.007% of the Company's issued Shares as at the Latest Practicable Date, are required to abstain from voting in respect of the proposed resolutions approving the Connected Restricted Shares Grant and the grant of Specific Mandate. Saved as disclosed aforementioned, to the best of the Directors' knowledge, information and belief, no other Shareholder has a material interest in the Connected Restricted Shares Grant and the grant of Specific Mandate and accordingly none of them is required to abstain from voting on the relevant resolution to approve the issue and allotment of the Connected Restricted Shares and the grant of Specific Mandate at the EGM.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to the independence of Innovax Capital. In the last two years, we have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the following transactions (the "**Previous Appointment**"):

Date of the relevant circular	Nature of the transaction
25 January 2017	Review of annual caps for two continuing connected transactions contemplated under the financial services framework agreement (2016) and the master sales agreement (2016)

With regard to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointment as well as the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; (ii) we have maintained our independence from the Company during the Previous Appointment; (iii) the service fees received separately or aggregately from the Previous Appointment and the current appointment do not constitute a significant portion of our total revenue; and (iv) our independence from the Company has not been compromised because of the Previous

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Appointment. Accordingly, we consider that the Previous Appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects as at the date of the Circular. We have also relied on our discussion with management of the Company regarding the Group and the respective terms of the Connected Restricted Shares Grant, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE CONNECTED TRANSACTION

In arriving at our opinion and recommendations on the Connected Restricted Shares Grant, we have taken the following principal factors and reasons into consideration:

A. Principal business of the Group

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used for the energy, chemical and liquid food industries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises the audited financial information of the Group for the two years ended 31 December 2017 as extracted from the published annual report of the Company for the year ended 31 December 2017 dated 12 April 2018 (“**Annual Report 2017**”).

	For the year ended		Year-on-year Change
	31 December		
	2016	2017	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,968,403	10,671,276	2,702,873
– <i>Energy equipment and engineering</i>	3,241,382	4,958,683	1,717,301
– <i>Chemical equipment</i>	2,471,644	3,026,389	554,745
– <i>Liquid food equipment</i>	2,255,377	2,686,204	430,827
Operating profit	736,431	882,775	146,344
– <i>Energy equipment and engineering</i>	65,636	109,567	43,931
– <i>Chemical equipment</i>	411,644	433,959	22,315
– <i>Liquid food equipment</i>	259,151	339,249	80,098
Profit/(loss) before taxation	(804,253)	555,280	1,359,533
Profit/(loss) for the year	(936,680)	420,181	1,356,861
– <i>Attributable to the Shareholders of the Company</i>	(928,772)	417,360	1,346,132
– <i>Attributable to non-controlling interests</i>	(7,908)	2,821	10,729

As illustrated in the table above, the Company experienced a wholesale rebound financially. During the year ended 31 December 2017 (“**Year 2017**”), the Company went back into profits of RMB420.2 million from losses of RMB936.7 million for the year ended 31 December 2016 (“**Year 2016**”). Further, all three operating segments of the Group posted positive revenue growth in the Year 2017, and the revenue growth of the Group’s energy equipment and engineering segment outpaced the other two segments.

Energy equipment and engineering segment – For the Year 2017, the Group’s energy equipment and engineering segment’s revenue increased by 53.0% to RMB5.0 billion (Year 2016: RMB3.2 billion). According to the Annual Report 2017, the Group considered the widening of the price differential between natural gas and oil caused the rebounding demand in on-vehicle LNG fuel tanks during Year 2017. Further, the Group also considered its expansion into marine LNG module business and LNG tank containers, as a new LNG storage and transportation medium, also contributed to the growth in natural gas

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

equipment's revenue during the Year 2017. As a result, this segment contributed operating profit amounting to RMB109.6 million (Year 2016: RMB65.6 million).

Chemical equipment segment – For the Year 2017, the Group's chemical equipment segment's revenue increased by 22.4% to RMB3.0 billion (Year 2016: RMB2.5 billion). According to the Annual Report 2017, the Group considered the increase was resulted from the increase in the sales volume of tank containers. This segment made up 28.4% of the Group's total revenue (Year 2016: 31.0%). The segment's operating profit for the Year 2017 rose to RMB434.0 million (Year 2016: RMB411.6 million) which was generally in line with the increase in revenue.

Liquid food equipment segment – For the Year 2017, the Group's liquid food equipment segment's revenue increased by 19.1% to RMB2.7 billion (Year 2016: RMB2.3 billion). According to the Annual Report 2017, the increase in revenue of this segment was due to the acquisition of Briggs Group Limited in Year 2016 and the organic growth of its original business. This segment accounted for 25.2% of the Group's total revenue (2016: 28.3%). The segment's operating profit for the Year 2017 rose to RMB339.2 million (Year 2016: RMB259.2 million) which was mainly due to the increase in revenue and improved profit margin.

B. Reasons for the adoption of the Scheme

As set out in the Letter from the Board, the Scheme forms part of the incentive schemes of the Group. The Board considers that the award of the Restricted Shares to the Selected Participants provides motives and incentives to the Selected Participants and will allow the Group to retain its key personnel for the continual operation and development of the Group. The grant of the Restricted Shares to the Selected Participants (including the Connected Restricted Shares to the Connected Selected Participants) recognises their continual support to the Group and their effort in promoting the Group's long-term growth and development.

C. Principal terms of the Scheme

(i) Term

Subject to any early termination as approved by the Board and the Board delivers prior notice to the Trustee and all Selected Participants of such termination, the Scheme shall be effective and continue in full force for four years commencing from the Adoption Date.

Unless otherwise specified in the Scheme, the Restricted Shares which are granted and subsisting prior to such termination shall continue to be effective and shall be vested pursuant to the provisions of the Scheme accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Number of the Restricted Shares

Pursuant to the Scheme, not more than a total of 50,000,000 Restricted Shares will be granted to not more than 500 Selected Participants, representing 2.56% of the total number of shares in issue as at the Latest Practicable Date. A total of not more than 15,570,000 Restricted Shares is proposed to be granted to the Connected Selected Participants, representing (i) 31.14% of the total Restricted Shares to be granted; and (ii) 0.80% of the total issued share capital of the Company as at the Latest Practicable Date.

(iii) Subscription price of the Restricted Shares

The Subscription Price of the Restricted Shares is HK\$3.71 per Share. The Subscription Price was determined based on the highest of:

- (a) 50% of the average closing price of the Share as quoted on the Stock Exchange for the five consecutive trading days immediately before the date of the Announcement (i.e. HK\$3.71 per Share);
- (b) 50% of the closing price of the Share as quoted on the Stock Exchange the trading day immediately before the date of the Announcement (i.e. HK\$3.61 per Share); and
- (c) the net asset value per Share as at 31 December 2017 (i.e. HK\$3.61 per Share).

Please refer to paragraph headed “D. Assessment in relation to the principal terms of the Scheme – (i) Subscription Price” for our view on the Subscription Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Vesting period and vesting conditions

Subject to fulfilment of the following vesting conditions (a) and (b) set out below, the Restricted Shares shall be vested to the Selected Participants in three periods:

	Period	Condition (a): <i>Net profit of the Company (Note)</i>	Condition (b): <i>Individual assessment result</i>	Vesting ratio of the corresponding Restricted Shares	
First vesting period	Within 12 months from the date of the completion of the issue and allotment of Restricted Shares	The net profit of the Company for the financial year 2018 has increased by no less than 43.0% compared to the financial year 2017	The individual assessment result of the Selected Participants for the financial year 2018 achieves grade B or above	30.0%	
Second vesting period	Within 12 months from the date after the first vesting period	The 2-year CAGR of the net profit of the Company for the financial year 2019 compared to the financial year 2017 is not less than 43.0%	The individual assessment result of the Selected Participants for the financial year 2019 achieves grade B or above	(i)	(if Restricted Shares have been vested in the first vesting period) 30.0%; or
				(ii)	(if Restricted Shares have not been vested in the first vesting period, and the individual assessment result for the financial year 2018 was grade B or above) 60.0%.
Third vesting period	Within 12 months from the date after the second vesting period	The 3-year CAGR of the net profit of the Company for the financial year 2020 compared to the financial year 2017 is not less than 43.0% or the aggregate net profit of the Company for the financial years 2018 to 2020 reaches RMB2.688 billion or above	The individual assessment result of the Selected Participants for the financial year 2020 achieves grade B or above	(i)	(if Restricted Shares have been vested in the first and second vesting periods; or if Restricted Shares have been not vested in the first vesting period, but vested in the second vesting period; or if Restricted Shares have not been vested in the first and second vesting periods and the individual assessment results for the financial years 2018 and 2019 failed to achieve grade B or above) 40.0%; or
				(ii)	(if Restricted Shares have been vested in the first vesting period, but have not been vested in the second period, and the individual assessment result for the financial year 2019 was grade B or above) 70.0%; or
				(iii)	(if Restricted Shares have not been vested in the first and the second vesting periods, and the individual assessment results for the financial years 2018 and 2019 were grade B or above) 100.0%.

Note: For the purpose of determining the vesting condition, “net profit” means the audited net profit attributable to the Shareholders of the Company for that year plus the fair value of the amortisation expenses arising from the issue of the Restricted Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Overview of the net profit target

In respect of the vesting conditions relating to the net profit target, we have discussed with the management in respect of the basis of the net profit target (i.e. CAGR of 43.0%). We are given to understand that the said net profit target was a three-year performance target of the Group after considering (i) the Group's historical financial performance for the years ended 31 December 2016 and 31 December 2017; (ii) the impairment provisions for the years ended 31 December 2016 and 31 December 2017; (iii) the Group's recent financial performance. The table below summarized the key financial figures of the Group for the years ended 31 December 2016 and 31 December 2017.

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	7,968,403	10,671,276
Profit before taxation	(804,253)	555,280
Profit/(loss) for the year	(936,680)	420,181
– Attributable to Shareholders of the Company	(928,772)	417,360
– Attributable to non-controlling interests	(7,908)	2,821
Adjusted net profit (Note)	434,143	522,909

Note: The adjusted net profit computed by excluding the impairment provision of RMB1,362.9 million and RMB105.5 million from the profit/(loss) attributable to Shareholders of the Company for the years ended 31 December 2016 and 2017, respectively arising from the acquisition of the Group on Nantong SinoPacific Offshore & Engineering Co., Ltd..

We noted that the adjusted net profit for the year of the Group grew by approximately 20.4% from the year ended 31 December 2016 to the year ended 31 December 2017, which is lower than the net profit target of 43.0% per year. We are given to understand that this was due to (i) the Group's assessment on its future growth in the three years ending 31 December 2020; and (ii) the Group's intention of setting a higher profit target for the grantees to achieve.

Given the net profit target is higher than the growth of the adjusted net profit from the year ended 31 December 2016 to the year ended 31 December 2017, we are of the view that the net profit target of the Scheme can motivate the grantees to achieve a better financial performance of the Group for the three years ending 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Overview of the appraisal system

In respect of the vesting condition concerning the individual assessment, we have reviewed the Group's appraisal system.

In the Group's appraisal system, annual appraisal for individual staff is conducted based on the assessment of these criteria: (i) their respective work performance (applicable for all staff); (ii) leadership skills (applicable for managerial staff); and (iii) core competence (applicable for non-managerial staff). For each of the criteria, individuals are graded as (i) exceeding expectation (Grade A); (ii) meeting expectation (Grade B); or (iii) below expectation (Grade C). Based on this grading system, each of the individuals will receive two grades and their overall grading will be classified as follows:

Overall grading	Criteria grading
Exceeding expectation	A + A
Meeting expectation (high)	A + B
Meeting expectation	B + B
Meeting expectation (low)	B + C
Below expectation	C + C

Individual annual appraisal is commenced with individual self-assessment, followed by evaluation of direct supervisor, indirect supervisor and department head. The Group's human resource department is responsible for gatekeeping the process.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the purpose of the Scheme, only the work performance criterion is taken into account as a vesting condition. In this regard, the management of the Group explained that the work performance criterion is assessed based on subjective factors, while the other two criteria are assessed based on objective factors. In respect of the work performance criterion, the Group has set out guidance on grading as follows:

Criteria grading	Performance
Exceeding expectation (Grade A)	(i) Complete key task(s) with extraordinary performance, and (ii) Improve the work flow of ordinary work
Meeting expectation (Grade B)	(i) Complete key task(s) as expected, and (ii) No significant failure occurs in ordinary work
Below expectation (Grade C)	(i) Unable to complete key task(s) as expected, or (ii) Significant failure occurs in ordinary work

After reviewing the Group's appraisal system, we are of the view that such vesting condition can practically motivate grantees to contribute in the Group's financial success.

Having considered (i) the Company has incorporated vesting conditions that would ensure the Company would achieve a certain growth rate before the Selected Participants are entitled to the benefits of the Restricted Shares granted; (ii) the Restricted Shares will not be unlocked and will be repurchased and cancelled by the Company if individual appraisal is not satisfactory and performance targets are not reached; (iii) the Connected Selected Participants are subject to the same terms and conditions under the Scheme as Other Selected Participants; and (iv) the vesting period and vesting conditions of the Scheme are in line with, if not better than, the market practice for shares that are offered under similar restricted share award schemes (details of which are set out in the paragraph headed "D. Assessment in relation to the principal terms of the Scheme – (ii) Vesting period and vesting condition), we are of the view that the vesting period and vesting condition of the Scheme are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(v) Allocation of the Restricted Shares under the Scheme

As stated in the Letter from the Board, not more than a total of 50,000,000 Restricted Shares will be granted to not more than 500 Selected Participants under the Scheme, of which, (i) not more than 15,570,000 Connected Restricted Shares will be awarded to 41 Connected Selected Participants by way of issue and allotment of new Shares pursuant to the Specific Mandate; and (ii) not more than 34,430,000 Other Restricted Shares will be awarded to not more than 459 Other Selected Participants by way of issue and allotment of new Shares pursuant to the Specific Mandate.

Details of the Selected Participants and their respective number of Restricted Shares to be granted are set out in the table below:

Name	Position	Number of Restricted Shares to be granted	% of Restricted Shares	% of total issued shares of the Company as at the Latest Practicable Date	Market value of the Restricted Shares as at the Latest Practicable Date (Note) (HK'000)
Mr. Gao Xiang	Chairman and Executive Director	1,000,000	2.00%	0.05%	7,700
Mr. Yang Xiaohu	General Manager and Executive Director	1,200,000	2.40%	0.06%	9,240
Mr. Yu Yuqun	Non-executive Director	400,000	0.80%	0.02%	3,080
Mr. Wang Yu	Non-executive Director	400,000	0.80%	0.02%	3,080
Mr. Zeng Han	Non-executive Director	400,000	0.80%	0.02%	3,080
36 directors of certain subsidiaries of the Company	directors of certain subsidiaries of the Company	Not more than 12,170,000	24.34%	0.62%	93,709
Subtotal		Not more than 15,570,000	31.14%	0.79%	119,889
Other Selected Participants		Not more than 34,430,000	68.86%	1.77%	265,111
		Not more than 50,000,000	100.00%	2.56%	385,000

Note: The market value of the Restricted Shares as at the Latest Practicable Date was calculated based on the closing price of HK\$7.70 per Share as quoted on the Stock Exchange as at the Latest Practicable Date without taking into account of the Subscription Price of HK\$3.71 per Restricted Shares payable by the Selected Participants.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, we understand that the Board has given due consideration to various factors, including the importance of work position and grade, contribution level, individual performance and years of services of each Selected Participant (including the Connected Selected Participants) in determining the number of the Restricted Shares to be granted.

Among the Connected Selected Participants, there are (i) Directors of the Company; and (ii) directors of the Company's subsidiaries (Connected Selected Participants other than Directors). With respect to the allocation of the Connected Restricted Shares to the Connected Selected Participants under the Scheme, we formulated our view after considering the Connected Selected Participants' qualifications, experience and contributions to the Group and possible remuneration alternatives that may be available to the Group as follows:

Directors of the Company

We have reviewed professional background information of the Directors who are Connected Selected Participants, and their background information set out in the Annual Report 2017 and the announcement in relation to appointment of non-executive Director and member of the remuneration committee dated 18 May 2018. Details of their work position, contribution level and years of services are set out as follows:

- (i) Mr. Gao Xiang, being the chairman of the Board and the executive Director, has been serving in the Board since 2009. Mr. Gao Xiang graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer.

From 1999 to 2008, Mr. Gao Xiang was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistics Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao Xiang was also an assistant to the president of CIMC from 2004 to 2008.

Mr. Gao Xiang has been serving CIMC and the Group for over 10 years and over 9 years respectively. During his time with the Group, Mr. Gao Xiang has taken up various managerial positions of various business units of the Group as mentioned above and has developed extensive business network covering various segments of the Group's business. As the chairman of the Board, he plays an important role in the Group and is responsible for the overall management of the general operation of the Company. Further, the Company has been actively

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exploring new business opportunities and collaborations as disclosed in its Annual Report 2017. The Group plans to utilize Mr. Gao Xiang's business network in sourcing business opportunities and collaborations, and the Group's future possible corporate actions will be proceeded under the stewardship of Mr. Gao Xiang and Mr. Yang Xiaohu, both are executive Directors.

- (ii) Mr. Yang Xiaohu, being the general manager of the Company and the executive Director, has been serving in the Board since October 2017. Mr. Yang Xiaohu graduated from Huazhong University of Science and Technology (華中科技大學), majoring in vessel and marine engineering.

Mr. Yang Xiaohu joined CIMC as an officer of the quality control department of Shanghai CIMC Reefer Containers Co., Ltd. from 1997 to 1999, and was a sales manager of CIMC Group's container operation department from 2000 to 2009. He was a deputy general manager of the Company's sales and marketing department from April 2009 to April 2012, an assistant to general manager of the Company from May 2012 to March 2015, and a deputy general manager of the Company from April 2015 to October 2017.

Mr. Yang Xiaohu has been serving CIMC and the Group for over 20 years and 9 year respectively. During his time with CIMC, Mr. Yang Xiaohu has developed extensive sale and marketing network that is vital for the Group's future growth and expansion. After joining the Group, Mr. Yang Xiaohu has been responsible for overseeing the Group's sale and marketing affairs. As a member of the Board, he is responsible for formulating business and corporate strategies and provides guidance to the management of the Company, in particular on sale and marketing affairs. Apart from these, Mr. Yang Xiaohu holds directorships in certain subsidiaries of CIMC and the Company. Further, the Company has been actively exploring new business opportunities and collaborations as disclosed in its Annual Report 2017. The Group plans to utilize Mr. Yang Xiaohu's business network in sourcing business opportunities and collaborations, and the Group's future possible corporate actions will be proceeded under the stewardship of Mr. Gao Xiang and Mr. Yang Xiaohu, both are executive Directors.

- (iii) Mr. Yu Yuqun, being the non-executive Director, is also the secretary to the board of directors and company secretary of CIMC. Mr. Yu Yuqun obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu Yuqun is a member of the Appellate Council Review Committee of the

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Shenzhen Stock Exchange and a member of the first session of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies.

After joining CIMC in 1992, Mr. Yu Yuqun served in various managerial positions in the finance affairs department of CIMC. In September 2007, Mr. Yu Yuqun joined the Group as an executive Director. On 5 September 2016, Mr. Yu Yuqun was re-designated as non-executive Director. We understand from the Company that such re-designation was due to the fact that Mr. Yu Yuqun had to devote more time and effort on CIMC's affairs.

Mr. Yu Yuqun has been serving CIMC and the Group for over 26 years and 11 year respectively. During his time with the Group, Mr. Yu Yuqun has been responsible for investor relations and shareholder relations. As a member of the Board, he is responsible for formulating business and corporate strategies and provides guidance to the management of the Company, in particular on external relation affairs. Further, the Company has been actively exploring new business opportunities and collaborations as disclosed in its Annual Report 2017. Should there be any corporate actions arise, Mr. Yu Yuqun will assist, advise and represent the Board in communicating with investors and shareholders as and when needed.

- (iv) Mr. Wang Yu, being the non-executive Director, was appointed as a non-executive Director on 5 September 2016. Mr. Wang Yu graduated from Dalian Maritime University with Bachelor of Engineering (Transportation Management) in 1993 and Master of Laws (International Economic Law) in 1996. Mr. Wang Yu was admitted as a lawyer in the People's Republic of China in 1997 and is currently a non-practising lawyer. Mr. Wang is also an arbitrator of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) (also known as Shenzhen Court of International Arbitration (深圳國際仲裁院)) and China International Economic and Trade Arbitration Commission.

Mr. Wang Yu worked in the legal affair department of China Ocean Shipping (Group) Company from 1996 to 2000 and America International Data Group's branch in China (美國國際數據集團中國公司) from 2001 to 2002. Mr. Wang Yu joined CIMC in 2003, and has been the general manager of the legal department of CIMC since 2007. Mr. Wang Yu holds a number of directorships in certain subsidiaries of CIMC.

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Mr. Wang Yu has been serving CIMC and the Group for over 15 years and around 2 years. During his time with the Group, Mr. Wang Yu has been responsible for legal and compliance matters. As a member of the Board, he is responsible for formulating business and corporate strategies and provides guidance to the management of the Company, in particular on legal and compliance affairs. Further, the Company has been actively exploring new business opportunities and collaborations as disclosed in its Annual Report 2017. Should there be any corporate actions arise, Mr. Wang Yu will advise the Board in deal negotiation, legal due diligence and identifying and solving legal issues that may arise from time to time.

- (v) Mr. Zeng Han, being the non-executive Director, was appointed as a non-executive Director on 18 May 2018. Mr. Zeng Han graduated from Hangzhou Institute of Electronic Engineering with a bachelor's degree in July 1996, and later graduated from Jiangsu University of Science and Technology with a master's degree in management in June 1999. Mr. Zeng Han is a certified public accountant in China.

Mr. Zeng Han joined CIMC in 1999 and served various managerial positions in the financial management department of CIMC. Mr. Zeng Han is currently the general manager of the financial management department and the chairman of the financial informationization decision-making committee of CIMC. Mr. Zeng Han held a concurrent post as manager of the financial department of the Company from 2009 to 2010.

Mr. Zeng Han has been serving CIMC for over 19 years and re-joined the Group as a non-executive Director in 2018. During his time with CIMC and the Group, Mr. Zeng Han has been responsible for financial management affairs. As a member of the Board, he is responsible for formulating business and corporate strategies and provides guidance to the management of the Company, in particular on financial management affairs. Apart from these, Mr. Zeng Han holds directorships in certain subsidiaries of CIMC and the Company. Further, the Company has been actively exploring new business opportunities and collaborations as disclosed in its Annual Report 2017. Should there be any corporate actions arise, Mr. Zeng Han will advise the Board on financial management matters, from capital management, capital budgeting to financial information system integration.

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In respect of each of the aforementioned Directors, the Company considers they are capable of adding value to the Company's business by leveraging their professional expertise, experience and business network, and therefore retention of whom is crucial to the future development of the Group.

Connected Selected Participants other than Directors

The Board considered all of the other 36 Connected Selected Participants have extensive experience in various industries. We understood from the Company that all of the other 36 Connected Selected Participants are instrumental to the Group's operations and future developments.

In respect of the other 36 Connected Selected Participants, the Board has considered their importance of work position, contribution level and years of services with the Group. In determining their respective entitlement of Connected Restricted Shares, due consideration has been given to the profit contribution to the Group attributable to the respective subsidiary which they serve, apart from the factors set out above. As a result, the Board resolved to grant the other 36 Connected Selected Participants different number of Connected Restricted Shares ranging from 30,000 to 900,000 Shares.

Further, based on the information the Company made available to us, we noted that all of the Connected Selected Participants other than Directors have been serving key executive roles of the Company and/or directors of certain subsidiaries of the Company for 2 to 11 years. As advised by the management of the Company, those Selected Participants have made significant contribution to the Group in the past and are expected to continue to contribute to the Group in the future.

In light of the above, we are of the view that the number of Restricted Shares proposed to be granted to the Connected Selected Participants is fair and reasonable as the Board has taken into consideration of (i) the Connected Selected Participants' importance of work position and grade, contribution level and years of services; and (ii) the individual performance of each of the Connected Selected Participants in determining the number of the Restricted Shares to be granted to each Connected Selected Participant.

Possible remuneration alternatives

Apart from the reasons for the adoption of the Scheme, we have also discussed with the Company regarding the benefits of the Scheme as an incentive scheme. According to the Company, they have considered several methods of providing incentives to the Selected Participants (including the Connected Selected Participants), including lump sum cash bonuses, remuneration increment, as well as the Scheme.

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After careful consideration of the various alternatives, the Directors consider the Scheme to be an appropriate incentive measure given that, as opposed to the other alternatives, the Scheme will enable the Company to prevent cash outflow of the Group while allowing added incentives to the Selected Participants (including the Connected Selected Participants) to make contribution to the Group. In addition, the economic benefits of the Scheme are dependent on the improvement in the performances of the Group and hence the Selected Participants (including the Connected Selected Participants) can only benefit when all the Shareholders are also in a position to benefit, the Directors are of the view that the Scheme will further align the interests of the Selected Participants (including the Connected Selected Participants) with the Company together with the Independent Shareholders.

In view of the foregoing reasons for and possible benefits of the award of the Connected Restricted Shares to the Connected Selected Participants, we are of the opinion that the award of the Connected Restricted Shares to the Connected Selected Participants is in the interests of the Company and the Shareholders as a whole.

D. Assessment in relation to the principal terms of the Scheme

In formulating our view on the subscription price of the Restricted Shares, we have considered the market norm by studying the subscription prices of award shares granted to employees and/or connected persons under share award schemes of the companies listed on the Main Board of the Stock Exchange, who adopted share award schemes and granted award shares from 1 January 2018 up to 30 June 2018.

To the best of our knowledge and as far as we are aware of, we identified five listed companies in the Main Board of the Stock Exchange (the “**Comparable Listed Companies**”) which met the said criteria and they are exhaustive. We consider the Comparable Listed Companies to be fair and representative as they reflect the general recent trend of the restricted share award schemes in the open market. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Listed Companies and we have not conducted any in-depth investigation into such respect.

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Stock code	Name	Date of the adoption of share award scheme	Date of the grant announcement	Awardee(s)	Vesting Period/Date	Performance-related vesting condition	% of the subscription price to the average stock price
2269	Wuxi Biologics (Cayman) Inc.	15 Jan 2018	15 Jan 2018	259 awardees	Not specified	Not applicable	0%
			20 Mar 2018	540 awardees	Not specified	Not applicable	0%
			13 Jun 2018	170 awardees	Not specified	Not applicable	0%
164	China Baoli Technologies Holdings Limited	15 Jan 2018	26 Jan 2018	38 awardees, including 9 connected person	Immediately	Not applicable	0%
1813	KWG Property Holding Limited	19 Jan 2018	19 Jan 2018	28 awardees, including 10 connected person	1/3 on 1st anniversary; 1/3 on 2nd anniversary; and 1/3 on 3rd anniversary, of the date of grant	Not applicable	0%
282	Next Digital Limited	12 Jun 2018	12 Jun 2018	2,485 awardees	Immediately	Not applicable	0%
315	SmarTone Telecommunications Holdings Limited	29 Jun 2018	29 Jun 2018	326 awardees, including 8 connected person	30% on 1st anniversary; 30% on 2nd anniversary; and 40% on 3rd anniversary of the date of allocation of award shares to the awardees	Not applicable	0%
3899	The Company	26 Jun 2018	Following the approval of the resolution in relation to the Scheme at the EGM	Not more than 500 awardees, including 41 connected person	First vesting period – within 12 months from the date of completion of the issue and allotment of Restricted shares Second vesting period – within 12 months from the date after the first vesting period Third vesting period – within 12 months from the date after the second vesting period	Financial results and individual performances	50%

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(i) Subscription Price

As set out in the section headed “C. Principal terms of the Scheme” above, the Subscription Price of the Restricted Shares is HK\$3.71 per Share. The Subscription Price was determined based on the highest of:

- (a) 50% of the average closing price of the Share as quoted on the Stock Exchange for the five consecutive trading days immediately before the date of the Announcement (i.e. HK\$3.71 per Share);
- (b) 50% of the closing price of the Share as quoted on the Stock Exchange the trading day immediately before the date of the Announcement (i.e. HK\$3.61 per Share); and
- (c) the net asset value per Share as at 31 December 2017 (i.e. HK\$3.61 per Share).

Based on the percentage of the subscription price to the average stock price pursuant to the share award scheme of the Comparable Listed Companies as set out in the table above, we are of the view that the subscription price (i.e. HK\$3.71 per Share) of the Restricted Shares (including the Connected Restricted Shares), which represented 50% of the average closing price of the Share as quoted on the Stock Exchange for the five consecutive trading days immediately before the date of the Announcement, is in line with, if not better than, the market practice of subscription prices for shares that are offered under similar share award schemes.

In addition, we noted that the Restricted Shares granted to the Connected Selected Participants are at the same subscription price as Other Selected Participants, which indicated the Connected Selected Participants are fairly treated as Other Selected Participants in this regard.

Having considered the above factors, we concur with the Board’s view that the terms of the Connected Restricted Shares Grants and the Subscription Price of the Connected Restricted Shares to the Connected Selected Participants are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

(ii) Vesting period and vesting condition

Vesting mechanism of a restricted share award scheme is designed to effectively align the interests of the Selected Participants with the Independent Shareholders to foster the development of the Group as the realisable value of the Restricted Shares are dependent on the future price performance of the Shares, which also benefits the Group and Independent Shareholders as a whole.

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In this regard, we noted that the vesting periods of the share award schemes of the Comparable Listed Companies range from immediate vesting up to three years. As set out in the Letter from the Board, the Restricted Shares (including the Connected Restricted Shares) shall be vested in three tranches ranging from one year to three years from the date of the completion of the issue and allotment of the Restricted Shares. We noted that the vesting period for all tranches of the Restricted Shares (including the Connected Restricted Shares) falls within the range of the share award schemes of the Comparable Listed Companies. In addition, we noted that the Comparable Listed Companies had an average vesting period of 12.3 months (excluding any Comparable Listed Companies with vesting period/date that is not specified). Thus, the average vesting period of the Restricted Shares is longer than the average vesting period of the Comparable Listed Companies.

Further, we also noted that the Scheme has vesting conditions relating to (i) net profits of the Company; and (ii) individual assessment results, and none of the Comparable Listed Companies had similar mechanism. The Directors considered that the vesting conditions of the Scheme can provide ample motivations and incentives for the Selected Participants contributing to the Group's overall development and business success. We concur with the Directors' view that the existence of such mechanism provides motivations and incentives for the Selected Participants.

Having considered (i) vesting period of the Scheme falls within the range of the shares award schemes of the Comparable Listed Companies; (ii) the average vesting period of the Restricted Shares is longer than that of the share award schemes of the Comparable Listed Companies and (iii) vesting conditions of the Scheme is compatible with, if not better than, the market practice for shares that are offered under similar share award schemes, we are of the view that the vesting period and vesting conditions of the Scheme (including the Connected Restricted Shares Grant) to the Group is reasonable so far as the Independent Shareholders are concerned.

E. Financial impacts of the issue of Restricted Shares under the Scheme

(i) Assets

Upon completion of the subscription of the Restricted Shares by the Selected Participants, the cash level of the Group will be increased by the consideration for the grant of Restricted Shares of not more than HK\$185.5 million. As such, the issue of new Shares under the Scheme is expected to have a positive impact on the assets of the Group.

(ii) Liabilities

There should be no material effect on the liabilities of the Group under the grant of Restricted Shares.

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(iii) Earnings

The Company estimated that the relevant costs or expenses of the grant of the Restricted Shares would be amounted to HK\$94.3 million (equivalent to RMB79.2 million, based on the exchange rate of HK\$1=RMB0.84 as at the date of the Announcement), which is calculated based on the closing price of the Shares as at the date of the Announcement (i.e. HK\$7.18 per Share). Such estimated costs of the grant of Restricted Shares would be recognised as administrative expenses on the consolidated financial statements of the Company and will in turn lead to a decrease in the earnings of the Company.

Assuming all of the Restricted Shares granted are vested over the vesting period without any lapse and cancellation, the estimated expenses to be charged on the Company's consolidated financial statements in the respective financial years will be as follows:

Financial year	Estimated expenses		Net profit target	Percentage of
	(HK\$'000)	<i>Equivalent to approximately RMB'000</i>	as part of the vesting conditions under the Scheme	estimated expenses to be incurred to the net profit target
			RMB'000	%
Year ending 31 December 2018	30,612	25,715	596,825	4.3
Year ending 31 December 2019	44,275	37,191	853,459	4.4
Year ending 31 December 2020	16,617	13,958	1,220,447	1.1
Year ending 31 December 2021	2,747	2,307	Not applicable	Not applicable
Total	94,251	79,171	2,670,731	3.0

Before the Company incurs the above expenses in the respective financial year, the Company must achieve the net profit target in the respective financial years as part of the vesting conditions under the Scheme. If all of the vesting conditions of the Restricted Shares are fulfilled, the Group should achieve an aggregate net profit of approximately RMB2.7 billion or above for the three years ending 31 December 2020.

Given such expenses represent only (i) approximately 3.0% of the aggregated net profit of approximately RMB2.7 billion for the three years ending 31 December 2020; and (ii) approximately 1.1% to 4.4% of the net profit target in each of the three years ending 31 December 2020, we are of the view that the issue of the Restricted Shares is in the interest of the Company and the Independent Shareholders as a whole in light of the above financial impact.

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F. Potential dilution effect of the issue and allotment of the Restricted Shares to the existing shareholders

As at the Latest Practicable Date, the Company has 1,949,906,088 ordinary Shares in issue. Assuming there will be no change in the share capital of the Company, the issue and allotment of 50,000,000 Restricted Shares to the Selected Participants only represents an increase of 2.56% in the number of the Company's ordinary Shares. Accordingly, the shareholding of the existing Independent Shareholders in the Company will be slightly diluted from 99.993% to 97.493%.

In order to form our view on the dilution effect of the issue and allotment of the Restricted Shares to the existing shareholders, we have considered the market norm by studying the dilution effect of the Comparable Listed Companies. The table below sets out the dilution effect of the Comparable Listed Companies:

Stock code	Name	Date of the grant announcement	Number of award shares granted (shares)	Dilution effect of the granted shares (Note) (%)	Maximum limit of total shares to be granted under the share award scheme
2269	Wuxi Biologics (Cayman) Inc.	15 Jan 2018	3,122,240	0.27%	Not exceed 3.0% of its total issued shares as at its adoption date
		20 Mar 2018	1,846,677	0.16%	
		13 Jun 2018	784,946	0.06%	
164	China Baoli Technologies Holdings Limited	26 Jan 2018	1,030,540,000	2.99%	Not exceed 10.0% of its total issued shares from time to time
1813	KWG Property Holding Limited	19 Jan 2018	4,393,500	0.14%	Not exceed 5.0% of its total issued shares as at its adoption date
282	Next Digital Limited	12 Jun 2018	204,586,920	8.41%	Not exceed 486,365,376 shares (equivalent to approximately 20.0% of its total issued shares as at its adoption date)
315	SmarTone Telecommunications Holdings Limited	29 Jun 2018	1,871,800	0.17%	Not exceed 10.0% of its total issued shares as at its adoption date

Note: The dilution effect of granted shares represents the percentage of shares to the awardees granted to the total issued shares as at the date of the grant.

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Stock code	Name	Date of the grant announcement	Number of award shares to be granted (shares)	Dilution effect of the Restricted Shares Grant (%)	Maximum limit of total shares to be granted under the Scheme
3899	The Company	Following the approval of the resolution in relation to the Scheme at the EGM	50,000,000	2.56	Not more than 50,000,000 issued Shares

As depicted in the table above, the maximum limit of shares to be awarded under the respective share award schemes of the Comparable Listed Companies range from 3.0% to 20.0%, with an average of 9.6%. As compared, the Scheme only has a dilution effect of 2.56% which is lower than the average dilution effect of the Comparable Listed Companies. In view of such, we are of the view that the Restricted Shares Grant has a limited dilution effect and is in line with, if not better than, the market norm.

Given that the dilution effect on the shareholdings of the Independent Shareholders is far from substantial and having considered the reasons as detailed in the section headed “B. Reasons for the adoption of the Scheme” above, we are of the view that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

IV. RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors’ view that, while the allotment and issue of the Connected Restricted Shares is not in the ordinary and usual course of business of the Group, the Connected Restricted Shares Grant is fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to, and also recommend the Independent Shareholders to, vote in favour of the relevant resolutions in relation to the Connected Restricted Shares Grant at the EGM.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Calvin Poon **Alvin Wong**
Managing Director *Director*

Mr. Calvin Poon and Mr. Alvin Wong are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Innovax Capital Limited. Mr. Calvin Poon and Mr. Alvin Wong have over 14 and 7 years of experience in corporate finance industry, respectively.

SUMMARY OF THE SCHEME

A summary of the principal terms and conditions of the Scheme is set out below.

Purposes

The purposes of the Scheme are to retain its key personnel of the Group, to motivate and incentivise the senior management and key personnel and to further and share the growth of business of the Group.

Term

Subject to any early termination as approved by the Board and the Board delivers prior notice to the Trustee and all Selected Participants of such termination, the Scheme shall be effective and continue in full force for four years commencing from the Adoption Date.

Unless otherwise specified in the Scheme, the Restricted Shares which are granted and subsisting prior to such termination shall continue to be effective and shall be vested pursuant to the provisions of the Scheme accordingly.

Administration

The Scheme shall be subject to the administration of the Board. The Trustee shall hold the Restricted Shares and the Related Distribution (if any) according to the terms of the Trust Deed.

The Company shall, in the course of administering the Scheme, comply with, and the Scheme shall be subject to, the Company's Articles of Association, and all other applicable laws, rules and regulations (including those imposed by the Listing Rules from time to time).

Operation

The Board shall select Eligible Participants for participation in the Scheme and grant not more than a total of 50,000,000 Restricted Shares to not more than a total of 500 Selected Participants.

The Selected Participants shall pay the Subscription Price of HK\$3.71 for each Restricted Share within 90 days after the resolution in relation to the Scheme having been approved by the Shareholders in the general meeting of the Company and other related approvals having been obtained. The Subscription Price was determined based on the highest of (i) 50% of the average closing price of the Share as quoted on the Stock Exchange for the five consecutive trading days immediately before the date of the Announcement, (ii) 50% of the closing price of the Share as quoted on the Stock Exchange the trading day immediately before the date of the Announcement and (iii) the net asset value per Share as at 31 December 2017 (i.e. HK\$3.61 per Share).

After satisfaction of the conditions below, the Company shall issue and allot the Restricted Shares, and the Trustee shall hold the Restricted Shares and the Related Distribution for the Selected Participants on trust according to the terms of the Trust Deed. The Restricted Shares and the Related Distribution shall be transferred to the Selected Participants when the relevant vesting conditions have been satisfied.

Conditions

The issue and allotment of the Restricted Shares are subject to:

- (a) the approval by the Shareholders at the general meeting of the Company in respect of the Specific Mandate for issue and allotment of the Restricted Shares; and
- (b) the grant of the listing approval by the Listing Committee in respect of the Restricted Shares.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Restricted Shares held on trust by the Trustee for the Selected Participants before vesting.

Entitlement of the Related Distribution

In addition to the Restricted Shares, a Selected Participant shall also be entitled to the Related Distribution derived from the relevant Restricted Shares referable to that Selected Participant for the period from the date of the issue of the Restricted Shares to the Vesting Date (both dates inclusive) of such Restricted Shares, which shall however only be vested on the relevant Selected Participant on the Vesting Date subject to fulfilment of vesting conditions of the Restricted Shares.

Restriction before Vesting

Unless the Restricted Shares have been vested to the Selected Participant, every Selected Participant shall only have a contingent interest in the Restricted Shares awarded to them, subject to the fulfillment of vesting conditions of the Scheme. Before vesting of the Restricted Shares and the Related Distribution, the Selected Participants have no rights to transfer any of his/her rights under the Scheme.

Vesting

Subject to fulfillment of the following vesting conditions (a) and (b), the Restricted Shares shall be vested to the Selected Participants in three periods:

	Period	Condition (a): <i>Net profit of the Company</i>	Condition (b): <i>Individual assessment result</i>	Vesting ratio of the corresponding Restricted Shares
First vesting period	Within 12 months from the date of the completion of the issue and allotment of Restricted Shares	The net profit of the Company for the financial year 2018 has increased by no less than 43% compared to the financial year 2017	The individual assessment result of the Selected Participants for the financial year 2018 achieves grade B or above	30%
Second vesting period	Within 12 months from the date after the first vesting period	The 2-year CAGR of the net profit of the Company for the financial year 2019 compared to the financial year 2017 is not less than 43%	The individual assessment result of the Selected Participants for the financial year 2019 achieves grade B or above	(i) (if Restricted Shares have been vested in the first vesting period) 30%; or (ii) (if Restricted Shares have not been vested in the first vesting period, and the individual assessment result for the financial year 2018 was grade B or above) 60%.

	Period	Condition (a): <i>Net profit of the Company</i>	Condition (b): <i>Individual assessment result</i>	Vesting ratio of the corresponding Restricted Shares
Third vesting period	Within 12 months from the date after the second vesting period	The 3-year CAGR of the net profit of the Company for the financial year 2020 compared to the financial year 2017 is not less than 43% or the aggregate net profit of the Company for the three financial years 2018 to 2020 reaches RMB2.668 billion or above	The individual assessment result of the Selected Participants for the financial year 2020 achieves grade B or above	<p>(i) (if Restricted Shares have been vested in the first and second vesting periods; or if Restricted Shares have not been vested in the first vesting period, but vested in the second vesting period; or if Restricted Shares have not been vested in the first and second vesting periods and the individual assessment results for the financial years 2018 and 2019 failed to achieve grade B or above) 40%; or</p> <p>(ii) (if Restricted Shares have been vested in the first vesting period, but have not been vested in the second period, and the individual assessment result for the financial year 2019 was grade B or above) 70%; or</p> <p>(iii) (if Restricted Shares have not been vested in the first and the second vesting periods, and the individual assessment results for the financial years 2018 and 2019 were grade B or above) 100%.</p>

For the purpose of determining the vesting conditions, “net profit” means the audited net profit attributable to the Shareholders for that year plus the fair value of the amortization expenses arising from the issue of the Restricted Shares.

When all the vesting conditions have been met, the Restricted Shares and the Related Distribution shall be vested to the Selected Participants. The Company shall instruct the Trustee to transfer the corresponding Restricted Shares and the Related Distribution to the Selected Participants. In this case, the management expenses incurred in the Scheme shall be borne by the Company; and the relevant personal income tax will be borne by each Selected Participant accordingly, and shall be withheld by the Company (if applicable).

When there are Restricted Shares not being vested (the “**Unvested Shares**”) in the following events:

- (I) After each vesting period, if the individual assessment result for that year fails to achieve grade B or above, the relevant Restricted Shares and the Related Distribution will not be vested to the Selected Participants, all the rights in those Unvested Shares and the Related Distribution of the Selected Participants shall lapse automatically, the Unvested Shares and the Related Distribution will be retained as part of the Trust, and:
 - (a) if the Market Price is higher than the sum of the Subscription Price of the Restricted Shares and the Interests per Restricted Share, the Company shall pay the relevant Selected Participants the Subscription Price for those Unvested Shares with Interests within three months after the announcement of the annual results for the previous financial year in that year,
 - (b) if the Market Price is equal to or lower than the sum of the Subscription Price of the Restricted Shares and the Interests per Restricted Share, the Company shall pay the relevant Selected Participants the Market Price for those Unvested Shares with Interests within three months after the announcement of the annual results for the previous financial year in that year.

The Company shall also instruct the Trustee to sell the remaining Unvested Shares in the market after the end of the third vesting period.

- (II) After the third vesting period, if there is any non-fulfillment of the above vesting conditions in relation to net profit of Company, and:
 - (a) if the Market Price is higher than the sum of the Subscription Price of the Restricted Shares and the Interests per Restricted Share, the Company shall pay the relevant Selected Participants the Subscription Price for those Unvested Shares with Interests within three months after the end of the third vesting period; and instruct the Trustee to sell the remaining Unvested Shares in the market after the end of the third vesting period;
 - (b) if the Market Price is equal to or lower than the sum of the Subscription Price of the Restricted Shares and the Interests per Restricted Share, the remaining Unvested Shares shall be vested and transferred to the Selected Participants.

The proceeds from sale of the Unvested Shares and the Related Distribution derived from the Unvested Shares are the property of the Company, and shall be returned to the Company.

Lapse

The rights of the Selected Participants under the Scheme shall lapse automatically and the relevant Restricted Shares and the Related Distribution will not be vested to the Selected Participants but will be retained as part of the Trust in the following events:

- (I) When the Selected Participant, who has worked in the Group for less than two years after his participation of the Scheme, is transferred out of the Group but remains working within the CIMC Group.
- (II) When (i) the Selected Participant voluntarily resigns from his position during the period of his employment contract; or (ii) the Selected Participant's employment contract expires without renewal.
- (III) When (i) the Selected Participant is terminated due to his inability to perform his work duties, unsatisfactory performance, negligence, violation of laws and regulations, etc.; or (ii) the Selected Participant is dismissed for breach of the law, breach of professional ethics, disclosure of confidence of the Company, negligence, or malfeasance that would damage the Company's interests or reputation (the Board has the right to recover all or part of the income being vested to the Selected Participant depending on the seriousness of the case).

Restricted Shares and Related Distribution which have already been vested will not be affected.

The following is the biographical details of Mr. Zeng Han (“**Mr. Zeng**”), the Non-executive Director of the Company proposed to be re-elected at the EGM:

Mr. Zeng Han

Mr. Zeng, aged 43, graduated from Hangzhou Institute of Electronic Engineering with a bachelor’s degree in economics in July 1996, and later graduated from Jiangsu University of Science and Technology with a master’s degree in management in June 1999. He joined CIMC, the holding company of the Company, in 1999 and has successively served as manager of the accounting division of the financial management department, assistant to the general manager, deputy general manager and executive general manager of financial management department. Mr. Zeng is currently the general manager of the financial management department and the chairman of the financial informationization decision-making committee of CIMC. He also held a concurrent post as manager of the financial department of the Company from 2009 to 2010. Mr. Zeng is a certified public accountant in China. He holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Zeng has entered into a letter of appointment with the Company for the period from 18 May 2018 to 17 May 2021 in his capacity as non-executive Director, subject to certain early termination clauses of the letter. The appointment is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s articles of association. Pursuant to the letter of appointment, Mr. Zeng is entitled to receive a director’s fee of HK\$180,000 per annum, which was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his duties and responsibilities in the Company.

As at the Latest Practicable Date, Mr. Zeng is interested in an aggregate of 250,000 share options of the Company which are still outstanding. Such share options were granted by the Company on 11 November 2009 under the share option scheme approved by the shareholders of the Company on 12 July 2006. Mr. Zeng is interested in an aggregate of 288,750 A share options of CIMC which are still outstanding. Such share options were granted by CIMC on 26 January 2011 under the A shares share option incentive schemes approved by the shareholders of CIMC on 17 September 2010.

Saved as disclosed above, as at the Latest Practicable Date, Mr. Zeng (i) does not hold any other position with any members of the Group; (ii) is not related to any directors, senior management, substantial or controlling shareholder of the Company or other members of the Group; (iii) does not have any other interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (iv) has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding to the Latest Practicable Date, or any other major appointment or professional qualification.

Save as disclosed above, Mr. Zeng has confirmed that there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, or any other matters in relation to the re-election that need to be brought to the attention of Shareholders.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO); or (b) entered in the register required to be kept under Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to were as follows:

(a) Long positions in the Shares

Name of Director	Capacity	Interests in underlying Shares pursuant to share options	Approximate % of share capital as at the Latest Practicable Date <i>(Note 1)</i>
Gao Xiang	Beneficial owner	1,900,000	0.10%
Yang Xiaohu	Beneficial owner	764,000	0.04%
Yu Yuqun	Beneficial owner	1,298,000	0.07%
Zeng Han	Beneficial Owner	250,000	0.01%
Jin Yongsheng	Beneficial owner	300,000	0.02%
Wong Chun Ho	Beneficial owner	1,100,000	0.06%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

Note: The percentage was calculated based on 1,949,906,088 Shares in issue as at the Latest Practicable Date.

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

Options were granted by the Company on 11 November 2009, 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006.

Name of Director	Capacity	Exercise Price (HK\$)	Interests in underlying Shares pursuant to share options	Exercisable period	Approximate % of share capital at the Latest Practicable Date (Note 1)
Gao Xiang	Beneficial owner	4.00	1,000,000	11/11/2010–10/11/2019	0.05%
		2.48	500,000	28/10/2013–27/10/2021	0.03%
		11.24	400,000	05/06/2016–04/06/2024	0.02%
Yang Xiaohu	Beneficial owner	4.00	164,000	11/11/2010–10/11/2019	0.01%
		2.48	200,000	28/10/2013–27/10/2021	0.01%
		11.24	400,000	05/06/2016–04/06/2024	0.02%
Yu Yuqun	Beneficial owner	4.00	698,000	11/11/2010–10/11/2019	0.04%
		2.48	300,000	28/10/2013–27/10/2021	0.02%
		11.24	300,000	05/06/2016–04/06/2024	0.02%
Zeng Han	Beneficial owner	4.00	250,000	11/11/2010–10/11/2019	0.01%
Jin Yongsheng	Beneficial owner	11.24	300,000	05/06/2016–04/06/2024	0.02%
Wong Chun Ho	Beneficial owner	4.00	500,000	11/11/2010–10/11/2019	0.03%
		2.48	300,000	28/10/2013–27/10/2021	0.02%
		11.24	300,000	05/06/2016–04/06/2024	0.02%
Tsui Kei Pang	Beneficial owner	2.48	300,000	28/10/2013–27/10/2021	0.02%
		11.24	300,000	05/06/2016–04/06/2024	0.02%
Zhang Xueqian	Beneficial owner	2.48	300,000	28/10/2013–27/10/2021	0.02%
		11.24	300,000	05/06/2016–04/06/2024	0.02%

Notes:

- The percentage was calculated based on 1,949,906,088 Shares in issue as at the Latest Practicable Date.

2. Regarding the share options granted on 11 November 2009: Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable from 11 November 2010 and up to 10 November 2019; and the remaining 50% of which become exercisable from 11 November 2011 and up to 10 November 2019. The exercise price of all the options granted is HKD4.00 per Share.
3. Regarding the share options granted on 28 October 2011: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 28 October 2013 and up to 27 October 2021; 30% of which become exercisable from 28 October 2014 and up to 27 October 2021; and the remaining 30% of which become exercisable from 28 October 2015 and up to 27 October 2021. The exercise price of all the options granted is HKD2.48 per Share.
4. Regarding the share options granted on 5 June 2014: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per Share.

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

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding % <i>(Note 2)</i>
CIMC (A Shares)	Gao Xiang	Beneficial owner <i>(Note 1)</i>	375,000	0.03%
	Yu Yuqun	Beneficial owner <i>(Note 1)</i>	750,000	0.06%
	Zeng Han	Beneficial owner <i>(Note 1)</i>	288,750	0.02%

Notes:

1. Mr. Gao Xiang, Mr. Yu Yugun and Mr. Zeng Han were granted stock options (A Shares) by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB10.49 per share, and 75% of which are exercisable between 28 September 2014 and 27 September 2020.
2. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at the Latest Practicable Date, which was 1,268,382,727.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the

Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (b) which were entered in the register required to be kept by the Company under Section 352 of the SFO, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital, were as follows:

Substantial Shareholder	Capacity	Number of Shares held as at the Latest Practicable Date	Approximate % of share capital as at the Latest Practicable Date (Note 1)
Long position			
CIMC	Interest of controlled corporation	1,371,016,211 (Note 2)	70.31%
CIMC HK	Interest of controlled corporation	190,703,000 (Note 3)	9.78%
	Beneficial owner	1,180,313,211	60.53%
Charm Wise	Beneficial owner	190,703,000 (Note 3)	9.78%

Note:

1. The percentage was calculated based on 1,949,906,088 Shares in issue as at the Latest Practicable Date.
2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise and 1,180,313,211 ordinary shares held by CIMC HK. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC.
3. The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is a wholly-owned subsidiary of CIMC HK.

4. The table below sets out the posts held by the Directors in the following substantial Shareholders as at the Latest Practicable Date:

CIMC

Name of Director	Post held in CIMC
Gao Xiang	Vice President
Yu Yuqun	Company secretary
Wang Yu	Assistant to President
Zeng Han	General Manager of Financial Management Department

Charm Wise

Name of Director	Post held in Charm Wise
Gao Xiang	Director

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

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

5. DIRECTORS' COMPETING INTERESTS

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

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

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

9. EXPERT AND CONSENT

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

Name	Qualification
Innovax Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Innovax did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Innovax did not have any direct or indirect interest in any assets which had been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

The letter is given by Innovax as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

The following is(are) contract(s) (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material:

- (1) Restructuring Investment Agreement dated 5 July 2017 entered into between CIMC Enric Investment Holdings (Shenzhen) Limited, a wholly-owned subsidiary of the Company, as purchaser, Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. (formerly known as SinoPacific Offshore & Engineering Co., Ltd.) as target company, and SinoPacific Offshore & Engineering Co., Ltd. Bankruptcy and Liquidation Team in relation to acquire major assets of target company for a consideration of RMB799,800,000.

11. GENERAL

- (a) The authorized share capital of the Company is HKD100,000,000.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Cheong Siu Fai who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of International Accountants in the United Kingdom.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents (or copies thereof) will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong within 14 days from the date of this circular:

- (a) the Scheme;

- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Innovax, the text of which is set out in this circular;
- (d) the consent letter from the expert referred to in the paragraph headed “*Expert and Consent*” in this appendix;
- (e) the material contracts referred to in the section headed “*Material Contracts*” in this appendix;
- (f) the memorandum and articles of association of the Company;
- (g) the annual reports of the Company for the two financial years ended 31 December 2016 and 2017 respectively;
- (h) the announcement of the Company dated 26 June 2018; and
- (i) this circular.

13. MISCELLANEOUS

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of CIMC Enric Holdings Limited (the “Company”) will be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 10 August 2018 at 3:00 p.m. for the following purposes:

ORDINARY RESOLUTIONS

- (1) To consider and, if thought fit, pass with or without amendments, the following resolution, each being inter-conditional with each other, as an ordinary resolution of the Company

“THAT

- (a) the grant of specific mandate to the Directors regarding the issue and allotment of an aggregate of maximum number of 50,000,000 Restricted Shares (out of which an aggregate of a maximum number of 15,570,000 Connected Restricted Shares to Connected Selected Participants and an aggregate of a maximum number of 34,430,000 Other Restricted Shares to Other Selected Participants) to the Trustee to hold on trust for Selected Participants for participation in the Scheme (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) grant of 1,000,000 Restricted Shares pursuant to the Scheme to Mr. Gao Xiang be and is hereby approved and confirmed;
- (c) grant of 1,200,000 Restricted Shares pursuant to the Scheme to Mr. Yang Xiaohu be and is hereby approved and confirmed;
- (d) grant of 400,000 Restricted Shares pursuant to the Scheme to Mr. Yu Yuqun be and is hereby approved and confirmed;
- (e) grant of 400,000 Restricted Shares pursuant to the Scheme to Mr. Wang Yu be and is hereby approved and confirmed;

NOTICE OF EGM

- (f) grant of 400,000 Restricted Shares pursuant to the Scheme to Mr. Zeng Han be and is hereby approved and confirmed;
 - (g) grant of an aggregate of a maximum of 12,170,000 Restricted Shares pursuant to the Scheme to 36 directors of certain subsidiaries of the Company who are connected persons to the Company be and is hereby approved and confirmed; and
 - (h) any one Director be and is hereby authorized to do all things and sign all documents in connection with the implementation of the Scheme, including the grant of the Restricted Shares pursuant to the Scheme.”
- (2) To re-elect Mr. Zeng Han as director.

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

Hong Kong, 25 July 2018

Registered Office:

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

Principal place of business in Hong Kong:

Unit 908, 9th Floor
Fairmont House
No. 8 Cotton Tree Drive
Central
Hong Kong

Head Office in the PRC:

CIMC R&D Center
No. 2 Gangwan Avenue
Shekou Industrial Zone
Shenzhen, Guangdong
The PRC

NOTICE OF EGM

Notes:

1. The ordinary resolution items 1(a), 1(b), 1(c), 1(d), 1(e), 1(f), 1(g) and 1(h) will be voted at the EGM (or any adjournment thereof) by way of one single resolution. The ordinary resolution item (2) will be voted at the EGM as another resolution.
2. A member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
4. Completion and return of the form of proxy will not preclude Shareholder from attending and voting in person at the EGM (or any adjourned meeting) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM (or any adjournment thereof), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Unless the context requires otherwise, terms defined in the circular of the Company dated 25 July 2018 of which this notice forms part have the same meanings in this notice.
7. As at the date of this notice, the board of directors of the Company consists of Mr. Gao Xiang (*Chairman*) and Mr. Yang Xiaohu (*General Manager*) as executive Directors; Mr. Yu Yuqun, Mr. Wang Yu, Mr. Zeng Han and Mr. Jin Yongsheng as non-executive Directors; and Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian as independent non-executive Directors.