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CM Energy Tech Co., Ltd.
华商能源科技股份有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 206)

DISCLOSEABLE TRANSACTION
CAPITAL INJECTION IN THE TARGET COMPANY

CAPITAL INJECTION AGREEMENT

On 17 November 2023 (after trading hours), CM Hydrogen En-tech, an indirect wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement with TTK Lab, IKKEM Tech, Gao Xiaoping and the Target Company, pursuant to which, amongst others, CM Hydrogen En-tech has agreed to make the Capital Injection of RMB58,189,655 into the Target Company in cash.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Capital Injection are more than 5% but all are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company, and is subject to reporting and announcement requirements but is exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

CAPITAL INJECTION AGREEMENT

The Board is pleased to announce that on 17 November 2023 (after trading hours), CM Hydrogen En-tech, an indirect wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement with TTK Lab, IKKEM Tech, Gao Xiaoping and the Target Company, pursuant to which, amongst others, CM Hydrogen En-tech has agreed to make the Capital Injection of RMB58,189,655 into the Target Company in cash.

Summarised below are the principal terms of the Capital Injection Agreement:

Date

17 November 2023 (after trading hours)

Parties

1. CM Hydrogen Energy Technology (Qingdao) Co., Ltd.* (華商氫能技術(青島)有限公司);
2. Tan Kah Kee Innovation Laboratory* (嘉庚創新實驗室);
3. IKKEM Technology and Industry Development (Xiamen) Co., Ltd.* (嘉庚實驗室科技產業發展(廈門)有限公司);
4. Gao Xiaoping; and
5. CM Xiageng Hydrogen Energy Technology (Xiamen) Co., Ltd.* (華商廈庚氫能技術(廈門)有限公司).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, TKK Lab, IKKEM Tech, Gao Xiaoping, the Target Company and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Capital Injection

Pursuant to the Capital Injection Agreement, CM Hydrogen En-tech has agreed to make a capital injection of RMB58,189,655 into the Target Company in cash. Upon Completion, CM Hydrogen En-tech's corresponding registered capital in the Target Company shall increase by RMB14,105,172 and the equity interest in the Target Company held by CM Hydrogen En-tech shall increase by approximately 13.4%, in which the shareholding of CM Hydrogen En-tech shall be 42% ultimately.

The amount of the Capital Injection to be made by CM Hydrogen En-tech will be satisfied by the internal resources of the Group.

The Capital Injection has been arrived after arm's length negotiations amongst the parties to the Capital Injection Agreement with reference to the appraised value of the Target Company based on the capitalisation of the Target Company as agreed by the parties in the amount of RMB375 million and their agreed shareholding percentages, the business development of the Target Company and the operation and funding needs of the Target Company according to the registered capital of the Target Company.

Payment

The Capital Injection is to be paid by CM Hydrogen En-tech to the Target Company in cash in instalments before 30 June 2025 by way of wiring transfer to a designated bank account of the Target Company.

Conditions Precedent

The Capital Injection is conditional upon the satisfaction of the following conditions:

- (1) the Target Company having passed resolution(s) at a shareholders' meeting to approve the Capital Injection and authorise the signing of the Capital Injection Agreement and its appendices, and
- (2) IKKEM Tech having undertaken in writing that it shall irrevocably waive its pre-emptive right in relation to the Capital Injection.

The Target Company shall within ten (10) working days after the date of the Capital Injection Agreement submit a written proof of the satisfaction of all the above conditions precedent.

Completion

Completion shall take place within twenty (20) working days after the date of the Capital Injection Agreement.

Shareholding Structure of the Target Company

The following table is the summary of the changes of registered capital and shareholding structure of the Target Company immediately before and after Completion:

	As at the date of this announcement and immediately before Completion		Immediately after Completion	
	Registered Capital (RMB)	% of equity interest held (approx.)	Registered Capital (RMB)	% of equity interest held (approx.)
IKKEM Tech	60,900,000	67.0	60,900,000	58.0
CM Hydrogen En-tech	<u>30,000,000</u>	<u>33.0</u>	<u>44,105,172</u>	<u>42.0</u>
Total	<u>90,900,000</u>	<u>100.0</u>	<u>105,005,172</u>	<u>100.0</u>

As shown above, upon Completion, the equity interests held by CM Hydrogen En-tech in the Target Company will increase from approximately 33.0% to 42.0%.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. The principal business activity of the Target Company is the research and development, manufacturing and sales of alkaline electrolyzers equipment and key materials. The Target Company is not expected to become a subsidiary of the Company and will not be consolidated into the financial statements of the Group upon Completion.

Financial Information of the Target Company

Set out below is a summary of the financial information of the Target Company for the two financial years ended 31 December 2021 and 31 December 2022 respectively prepared under PRC GAAP:

	For the year ended	
	31 December	
	2022	2021
	<i>(RMB)</i>	<i>(RMB)</i>
	<i>(audited)</i>	
Net loss before taxation	(618,272)	–
Net loss after taxation	(618,272)	–

The Target Company was established on 31 December 2021 and is still in an early stage of development. The audited net asset value of the Target Company as at 31 December 2022 and the unaudited net asset value of the Target Company as at 30 September 2023 were approximately RMB29,381,727 and RMB28,653,315, respectively.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Target Company was jointly established by CM Hydrogen En-tech and TKK Lab at the end of 2021. The principal business activity of the Target Company is the research and development, manufacturing and sales of alkaline electrolyzers equipment and key materials.

Realization of carbon peak and carbon neutrality is the major strategic decision of the PRC, which aims at responding to global climate change, reducing carbon emissions, promoting green transformation of the economic structure, and accelerating the formation of green production methods and lifestyles. In particular, development of green hydrogen is an important part of promoting the development of new, clean and green energy, and the demand for alkaline electrolyzers, the core equipment for green hydrogen, is expected to be driven by vigorous promotion of hydrogen electrolysis projects.

Upon establishment and during approximately two years after the initial investment, the Target Company has completed the research and development and small-scale production of composite membranes and electrodes for the core materials of electrolyzer stack, as well as the design and development of the first set of 1000Nm³ alkaline electrolyzer product. The products' key technical indicators for offgrid hydrogen production, such as low energy consumption, short cold-start time, small size and light weight etc. are leading in the industry and are well-recognized by the market. On the other hand, the research and development team of the Target Company is supported by its shareholder, TKK Lab, and it is expected that the reserve of research and development personnel and the improvement of technological indexes will effectively maintain its leading position in the industry.

As at the date of this announcement, the Company is of the view that the core business of the Target Company has a broad market outlook with good development prospects and its products will be in great demand in the future. At present, the Company's investment in the Target Company begins to show signs of great potential, and the Company therefore considers that the Capital Injection represents a good opportunity for the Group to capitalize on the future development of new energy, clean energy and green energy. As an important part of the strategic plan of the Group, the injection of capital into the Target Company will broaden the Company's deployment in the green hydrogen generation equipment business. At the same time, upon completion of the Capital Injection into the Target Company, CM Hydrogen En-tech will be able to provide the Target Company with more support in terms of market resources and internal governance, so as to continue to nurture the Target Company's growth and development. The Capital Injection will also provide funds for business development and growth of the Target Company, which will ultimately benefit the Group in creating more value for its Shareholders.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement are on normal commercial terms and were determined on an arm's length basis, and the Capital Injection is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Company and the Group

CM Energy (stock code: 0206) is listed on the Main Board of the Stock Exchange in 2009. The Company's main business includes research and development, designing and manufacturing and assets management of wide varieties of equipment and packages as well as engineering services around equipment and assets in conventional and renewable energy industries. As a subsidiary of China Merchants Industry Group, CM Energy has deeply engaged in the energy industry for 30 years, and intends to become a world-leading green energy technology company through continuous innovation, expanding cooperation and fully integrating all kinds of resources, helping to promote the transformation of the energy industry and the realization of zero carbon emission.

Information on TKK Lab

TKK Lab is a public institution legal person established in the PRC. It is principally engaged in cutting-edge research in the field of energy materials, creating a “technology accelerator” and “industry engine” in the field of energy materials through innovative institutional mechanisms and compilation of Chinese and foreign innovative resources. The ultimate beneficial owner of the TKK Lab is Gao Xiaoping.

Information on IKKEM Tech

IKKEM Tech is a company established in the PRC with limited liability. It is principally engaged in the conversion of the technological achievements under TKK Lab. IKKEM Tech is held as to 100% of its equity interest by TKK Lab as at the date of this announcement.

Information on Gao Xiaoping

Gao Xiaoping is a natural person who obtained a doctorate in surface electrochemistry at Purdue University in the United States, and a postdoctoral at the National Renewable Energy Laboratory of the United States. He has over 30 years of research and development experience in hydrogen energy technology and application. His fields of research include surface and interface electrochemistry, molecular interaction theory, the nature and application of membrane structure, interface physical chemistry, semiconductor material, flow battery, electrolyte, nanotechnology and hydrogen energy application.

Information on CM Hydrogen En-tech

CM Hydrogen En-tech is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in general contracting of core equipment of hydrogen refueling stations, marine hydrogen fuel cell system integration and shore-based refueling ancillary facilities.

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DEFINITIONS

In this announcement, unless the context requires otherwise, the terms below have the following meanings:

“Board”	the board of Directors;
“Capital Injection”	the injection of capital in the amount of RMB58,189,655 into the Target Company by CM Hydrogen En-tech in accordance with the term and conditions of the Capital Injection Agreement;
“Capital Injection Agreement”	the capital injection agreement dated 17 November 2023 and entered into amongst CM Hydrogen En-tech, TKK Lab, IKKEM Tech, Gao Xiaoping and the Target Company in relation to, amongst others, the Capital Injection;
“CM Hydrogen En-tech”	CM Hydrogen Energy Technology (Qingdao) Co., Ltd.* (華商氫能技術(青島)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Company”	CM Energy Tech Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 206);
“Completion”	completion of the Capital Injection in accordance with the terms and conditions of the Capital Injection Agreement;
“Completion Date”	the date of Completion;
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IKKEM Tech”	IKKEM Technology and Industry Development (Xiamen) Co., Ltd.* (嘉庚實驗室科技產業發展(廈門)有限公司), a company established in the PRC with limited liability;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan Region;
“PRC GAAP”	the generally accepted accounting principles in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	CM Xiageng Hydrogen Energy Technology (Xiamen) Co., Ltd.* (華商廈庚氫能技術(廈門)有限公司), a company established in the PRC with limited liability;
“TKK Lab”	Tan Kah Kee Innovation Laboratory* (嘉庚創新實驗室), a public institution legal person established in the PRC; and
“%”	per cent.

By order of the Board
CM Energy Tech Co., Ltd.
Mei Xianzhi
Chairman

Hong Kong, 20 November 2023

As of the date of this announcement, the Board comprises one (1) executive Director, namely Mr. Zhan Huafeng; seven (7) non-executive Directors, namely Mr. Mei Xianzhi, Mr. Liu Jiancheng, Mr. Tam Wing Tim, Ms. Fu Rui, Mr. Wang Jianzhong, Mr. Zhang Menggui, Morgan and Mr. Jiang Bing Hua; and four (4) independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.

* For identification purpose only