綽耀資本
REDSOLAR

31 July 2026

To: The Independent Board Committees and the Independent Shareholders of Denox Environmental & Technology Holdings Limited

Dear Sirs or Madams,

(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders regarding the entering into of the Share Subscription Agreement and the transactions contemplated thereunder (collectively, the "**Transactions**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 31 July 2026 (the "**Circular**"), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

On 10 July 2026 (after trading hours), the Company and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 177,853,320 Subscription Shares at the Subscription Price of HK$0.1368 per Subscription Share for a total consideration of HK$24,330,334.18 in cash.

As at the Latest Practicable Date, there are 592,844,400 Shares in issue. 177,853,320 Shares will be issued at the Subscription Price per Subscription Share under the Share Subscription, which represents:

(a) 30.00% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(b) approximately 23.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Share Subscription.

The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Red Solar Capital Limited
Unit 402B, 4/F, China Insurance Group Building,
No.141 Des Voeux Road Central, Central, Hong Kong
T: (852) 3590 4603
F: (852) 3590 3851

綽耀資本有限公司
香港中環德輔道中 141 號
中保集團大廈 4 樓 402B 室
電話: (852) 3590 4603
傳真: (852) 3590 3851

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and the parties acting in concert with any of them hold an aggregate of 279,413,960 Shares, representing approximately 47.13% of the issued share capital of the Company. Upon completion of the Share Subscription, assuming that there is no other change in the issue share capital of the Company between the Latest Practicable Date and the date of completion (save and except for the Share Subscription), the shareholding of the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and the parties acting in concert with any of them will increase to approximately 59.33% of the issued share capital of the Company as enlarged by the Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Share Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and parties acting in concert with any of them), unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the allotment and issuance of the Subscription Shares to the Subscriber. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription, respectively, at the EGM.

The Subscriber, Advant Performance, their respective associates, and any parties acting in concert with any of them, Fine Treasure Asia Holdings Limited and the Shareholders who are involved in or interested in the Share Subscription and/or the Whitewash Waiver, will be required to abstain from voting in respect of the resolution(s) to approve the Share Subscription and the Whitewash Waiver at the EGM.

The Executive may or may not grant the Whitewash Waiver. The Share Subscription will not proceed if the Whitewash Waiver is not granted or approved.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber directly holds 24,612,477 Shares, whilst Advant Performance, a company wholly-owned by the Subscriber, holds 251,839,009 Shares. Moreover, Fine Treasure Asia Holdings Limited, which is wholly owned by Mr. Li Ke, an executive Director, who is presumed to be acting in concert with the Subscriber under the Class (6) presumption of the definition of "acting in concert" under the Takeovers Code, holds 2,962,474 Shares as at the Latest Practicable Date. Accordingly, the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and the parties acting in concert with any of them directly and indirectly holds an aggregate of 279,413,960 Shares, representing approximately 47.13% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and will be subject to announcement, reporting and the Independent Shareholders' approval requirements.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Subscription, namely Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Dr. Wang Xueqian) has been formed to advise the Independent Shareholders as to whether the Share Subscription is fair and reasonable and make recommendation as to voting.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Director and all the independent non-executive Directors who have no direct or indirect interest in the Share Subscription and the Whitewash Waiver, namely Mr. Li Xingwu, Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Dr. Wang Xueqian) has also been formed to advise the Independent Shareholders as to whether the Share Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting.

In this connection, we, Red Solar Capital Limited, have been appointed and approved by the Independent Board Committees as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders as to whether the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription and the grant of the Specific Mandate) and the Whitewash Waiver are fair and reasonable and make recommendation on voting.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, we had acted as the independent financial advisor to the independent board committee and independent shareholders of the Company regarding the continuing connected transactions of the Company in relation to the technical support framework agreement, details of which are set out in the circular of the Company dated 17 March 2026 (the "**Previous Engagement**"). Under the Previous Engagement, (i) save and except for acting as the independent financial advisor as explained above, no other engagement nor relationship has been formed between us and the Group, the other party(ies) to the transactions contemplated thereof, or close associate or core connected person of any of them; (ii) we did not have any interest in the Group, the other party(ies) to the transactions contemplated thereof, close associate or core connected person of any of them, or any other parties that could reasonably be regarded as relevant to our independence; and (iii) apart from the normal advisory fee payable to us by the Company in connection with our engagement, no arrangement exists whereby we shall receive any other fees or benefits from the Group, the other party(ies) to the transactions contemplated thereof, or close associate or core connected person of any of them.

Save and except for the Previous Engagement which have been explained above, during the past two years immediately preceding the Latest Practicable Date, other than this engagement of us as the Independent Financial Adviser, no other engagement nor relationship has been formed between us and the Group, the other party(ies) to the Transactions, or close associate or core connected person of any of them. As at the Latest Practicable Date, we did not have any interest in the Group, the other party(ies) to the Transactions, close associate or core connected person of any of them, or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us by the Company in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group, the other party(ies) to the Transactions, or close associate or core connected person of any of them.

Based on the above, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committees and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed documents including but not limited to (i) the Announcement; (ii) the Circular and the Letter from the Board contained therein; (iii) the Share Subscription Agreement; (iv) the annual reports of the Company for the year ended 31 December 2024 and 2025, respectively (the "**2024 Annual Report**" and "**2025 Annual Report**", respectively); and (v) relevant supporting documents provided by the Company to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted our own desktop search and we are not aware of material deviation between our search results and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any material fact or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us up to the Latest Practicable Date, which could be subject to subsequent developments and changes from time to time. The Shareholders will be notified of any material changes to or update of facts, circumstances and this letter of opinion after the Latest Practicable Date as soon as possible. Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been carefully extracted. We have not, however, conducted any independent in-depth investigation nor verification of such information.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the (i) Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading; and (ii) Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in this circular misleading.

The Subscriber accepts full responsibility for the accuracy of the information contained in the Circular (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

1. Background of and reasons for the Transactions

(a) Background information of the Company and the Group

The Company is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of denitration catalysts, carbon monoxide removal catalysts and other types of environmental protection catalysts in the PRC.

The following table sets out key consolidated financial information of the Group for each of the three years ended 31 December 2025 ("**FY2023**", "**FY2024**" and "**FY2025**", respectively) as extracted from the 2024 Annual Report and 2025 Annual Report, respectively:

	For FY2025 *RMB'000*	**For FY2024** *RMB'000*	**For FY2023** *RMB'000*
Revenue	189,256	108,963	126,392
Gross profit	46,592	27,460	24,528
Loss for the year	(17,268)	(37,327)	(25,434)

	As at 31 December 2025	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	44,133	49,644	46,019
Current assets	464,159	387,280	325,106
Current liabilities	385,649	297,170	203,043
Net current assets	78,510	90,110	122,063
Non-current liabilities	11,265	8,596	4,116
Net assets	111,378	131,158	163,966

Comparison of performance and financial positions between FY2023 and FY2024

The Group recorded total revenue of approximately RMB109.0 million for FY2024, representing a decrease of 13.8% from approximately RMB126.4 million in FY2023. As set out in the 2024 Annual Report, this decline was primarily driven by a substantial reduction in sales from the vehicle catalysts segment, partially offset by growth in the honey-comb catalysts segment. In particular, from FY2023 to FY2024, (i) revenue from Plate-type DeNOx catalysts, which primarily serve markets such as power plants, steel plants, and cement plants, decreased by 8.5% from approximately RMB58.5 million to approximately RMB53.5 million, mainly due to a drop in average selling price per cubic meter despite an increase in sales volume; (ii) revenue from Honey-comb DeNOx catalysts, which also primarily target power, steel, and cement industries, increased by 136.0% from approximately RMB21.1 million to approximately RMB49.8 million, attributed to a 204.5% surge in sales volume, offsetting a 30.9% decline in average selling price per cubic meter; and (iii) revenue from DeNOx catalysts for vehicles fell sharply by 87.8% from approximately RMB46.7 million to approximately RMB5.7 million reflecting reduced orders and a strategic contraction of this segment.

Gross profit rose by 12.2% to approximately RMB27.5 million in FY2024 from approximately RMB24.5 million in FY2023. This improvement was primarily attributed to increased production volumes in the honey-comb segment, which lowered unit production costs. The gross profit margin expanded from 19.4% in FY2023 to 25.2% in FY2024, benefiting from cost efficiencies despite downward pressure on selling prices across segments.

The Group reported a net loss of approximately RMB37.3 million in FY2024, widening by 46.8% from a net loss of approximately RMB25.4 million in FY2023. This deterioration was influenced by higher administrative expenses, impairments, and the revenue decline in the vehicle segment, despite gross profit gains.

As at 31 December 2024, the Group's total assets stood at approximately RMB436.9 million, as compared to approximately RMB371.1 million as at 31 December 2023. Key movements included an increase in inventories due to higher production volumes in the honey-comb segment, alongside changes in trade and retention receivables. Non-current assets increased mainly due to an increase in right-of-use assets, partially offset by decline in property, plant and equipment.

Total liabilities increased from approximately RMB207.2 million to approximately RMB305.8 million between 31 December 2023 and 2024, respectively, primarily due to higher contract liabilities associated with order backlog, while borrowings and lease liabilities were managed prudently. Net assets decreased in line with the net loss recorded for the year.

Comparison of performance and financial positions between FY2024 and FY2025

The Group recorded total revenue of approximately RMB189.3 million for FY2025, representing a substantial increase of approximately 73.7% from approximately RMB109.0 million in FY2024. According to the 2025 Annual Report, this growth was primarily driven by the continued expansion of the Group's traditional plate-type and honey-comb DeNOx catalysts business, which maintained a steady upward trend and essentially secured a firm foothold amidst persistently fierce market competition. Additionally, amid a supportive macro-economic environment in the PRC, the Group achieved its annual predetermined goals and made breakthroughs in key operational indicators. Performance in areas such as contract value, customer delivery, cost control, and the overseas market basically met or exceeded expected levels, contributing to the overall revenue growth. The Group also made significant progress in new products during the year. Corrugated plate-type catalysts and carbon monoxide removal catalysts both achieved breakthrough progress. In particular, the carbon' monoxide removal catalyst saw substantial advancements in the second half of 2025 following strategic adjustments and resource mobilisation, with products currently undergoing successful on-site operational validation at customer facilities.

Gross profit rose by approximately 69.7% to approximately RMB46.6 million in FY2025 from approximately RMB27.5 million in FY2024. This improvement was primarily attributable to substantial revenue growth driven by steady expansion in traditional plate-type and honey-comb DeNOx catalysts and initial contributions from new products. While the gross profit margin slightly reduced from 25.2% in FY2024 to 24.6% in FY2025, the Group emphasized that unit production costs remained stable and controllable through strengthened manufacturing expense controls and high production utilisation. The Group also highlighted improved procedures for product cost analysis and control, alongside ongoing efforts to consolidate cost reduction achievements for mature products and replicate these efficiencies for new offerings such as corrugated plate-type and carbon monoxide removal catalysts through process optimisation and intelligent tools.

The Group reported a net loss of approximately RMB17.3 million in FY2025, representing a significant narrowing of 53.7% from a net loss of approximately RMB37.3 million in FY2024. This improvement was mainly attributable to higher revenue and gross profit, lower administrative expenses, partially offset by increased selling and marketing expenses, research and development expenses, and certain impairment losses, among other minor fluctuations.

Comparing between 31 December 2024 and 2025, respectively, total assets increased to approximately RMB508.3 million from RMB436.9 million, primarily driven by higher inventories, reflecting production ramp-up, together with rises in trade and retention receivables and bank balances and cash. Non-current assets declined modestly to RMB44.1 million from RMB49.6 million, mainly due to depreciation of property, plant and equipment and right-of-use assets, plus impairment losses recognised during the year.

Total liabilities rose to approximately RMB396.9 million from RMB305.8 million, largely attributable to an increase in contract liabilities. Net assets decreased to RMB111.4 million from RMB131.2 million, which is consistent with the net loss recorded for the year. Borrowings remained well-managed, with overall liquidity supported by improved cash position and stable working capital management.

Market outlook of the Group

In the 2025 Annual Report, the Board expressed a cautiously optimistic outlook for 2026, focusing on consolidating operational strengths while accelerating innovation and market expansion. Key priorities include further cost reduction and efficiency enhancement for mature products, with accelerated efforts extended to new products to maintain and improve gross profit margins through process optimisation, equipment upgrades, and intelligent tools. The Group plans to refine new product planning, strengthen internal and external resource coordination, and introduce additional market-aligned catalysts on a continuous basis. Market initiatives include dividing the domestic market into distinct sales regions and solidifying regional sales accountability, emphasizing high-value segments such as waste-to-energy and petrochemicals, key customer engagement, corrugated plate-type and carbon monoxide removal catalyst expansion, and intensifying overseas efforts. Manufacturing cost controls, raw material procurement optimisation, and new product research and development ("**R&D**") will continue to be strengthened to mitigate pressures and stabilise margins. Additional focus areas encompass financial budgeting, compensation optimisation, internal controls, and capital market engagement to support overall performance improvement.

To further understand the market outlook of the principal business engaged by the Group, being the design, development, manufacture and sales of denitration catalysts, carbon monoxide removal catalysts and other types of environmental protection catalysts in the PRC, we have performed independent research on the latest development of the aforementioned business and industry.

We first studied national policies relevant to the Group's denitration catalysts and carbon monoxide removal catalysts products, and the power industry and non-power industries such as metallurgy, cement, glass, and aluminum in the PRC, which are the major target markets of them. In this relation, we noted that it is the PRC's general direction to advance carbon peaking and carbon neutrality with the decarbonization of the thermal power industry and steel and other heavy industries identified as key priority, and a few influential policies have been put forth.

In particular, the 2024-2025 Energy Conservation and Carbon Reduction Action Plan (2024-2025年節能降碳行動方案)[1] (the "**Action Plan**") issued by the State Council of the PRC established a dual approach to fossil energy reduction and non-fossil energy promotion to meet binding targets, set out certain annual CO2 reductions targets, and mandated sector-specific measures. For thermal power industry, the Action Plan explicitly demanded strict and reasonable control over fossil fuels consumption and pollution, instructed the promotions of low-carbon and energy saving modifications and constructions in thermal power sites, and encouraged uses of cleaner energy sources such as advanced biofuels and sustainable aviation fuels. For heavy industries, including steel manufacturing, the Action Plan emphasised accelerated energy-efficiency retrofits, stricter control over fossil fuel consumption, and enhanced carbon-intensity management. These measures are supported by complementary policies, such as central government budget investments, government-guided funds, and green finance initiatives, aimed at reducing the cost of decarbonization projects. The Action Plan also linked implementation progress to performance assessment and compliance mechanisms to ensure the achievement of the targets set out in the "14th Five-Year Plan".

On 15 July 2024, the National Development and Reform Commission of the PRC issued the The Action Plan for Low-Carbon Transformation and Construction of Coal Power (2024-2027) (煤電低碳化改造建設行動方案(2024-2027年))[2], which outlined targeted measures to advance the low-carbon upgrading of existing coal-fired power units and the construction of new ones, aiming to enhance clean and efficient coal utilisation and support China's carbon peaking and neutrality goals. Its key targets include commencing initial transformation projects by 2025 with carbon emissions per kWh reduced by approximately 20% versus 2023 averages, and by 2027 achieving further technology cost reductions with emissions lowered by around 50%, approaching natural gas levels. Its core approaches encompass biomass co-firing and green ammonia co-firing, each targeting not less than 10% blend to cut coal use and emissions, as well as other measures like carbon capture, utilisation, and storage ("**CCUS**") via chemical, adsorption, or membrane methods, with geological or chemical utilisation.

On 20 March 2025, the Ministry of Ecology and Environment of the PRC ("**MEE**") issued the Work Plan for Expanding National Carbon Emission Trading Market Coverage to the Steel, Cement, and Aluminum Smelting Industries (全國碳排放權交易市場覆蓋鋼鐵、水泥、鋁冶煉行業工作方案)[3], which generally provided for the orderly inclusion of the steel, cement, and aluminum smelting sectors into the national carbon emission trading market ("**NCETM**") with the aims to improve the carbon pricing mechanism, optimise the allocation of carbon emission reduction resources, reduce the overall societal cost of carbon emission reduction, and promote the establishment of a more effective, dynamic, and internationally influential carbon market.

1 https://www.gov.cn/zhengce/content/202405/content_6954322.htm

2 https://www.ndrc.gov.cn/xxgk/zcfb/tz/202407/P020240715557072565689.pdf

3 https://www.mee.gov.cn/xxgk2018/xxgk/xxgk03/202503/W020250326367625819894.pdf

MEE further issued the Opinions of the General Offices of the CPC Central Committee and the State Council on Carrying Out Energy Conservation and Carbon Reduction Work at a Higher Level and with Higher Quality (中共中央辦公廳國務院辦公廳關於更高水準更高品質做好節能降碳工作的意見)[4] on 11 April 2026 which promoted further measures to advance energy conservation and carbon reduction as a key lever for achieving carbon peaking and neutrality and green transformation, while safeguarding energy security and upgrading industries. Its core requirements focus on curbing irrational growth in total energy consumption, continuously improving energy resource utilisation efficiency, and reducing carbon emissions from the source. Key areas include (i) coordinating energy conservation/carbon reduction with industrial optimisation by controlling high-energy/high-emission projects, phasing out inefficient capacity, and developing green low-carbon industries and zero-carbon parks; (ii) aligning with energy transition through strict fossil fuel controls (especially coal and oil), promoting non-fossil energy, new power systems, and green electricity consumption; (iii) targeted actions in industry (e.g., steel, cement, chemicals), buildings (new ultra-low energy and retrofits), transport (green multimodal and low-carbon vehicles), digital infrastructure, and public institutions.

From the aforementioned policies of the PRC government, we noted that its general direction can be summarized as promoting less fossil fuel uses, emission and pollution, greener energies and industrial productions, as well as imposing increasingly stringent environment protection standards and requirements. Overall, we considered the aforementioned policies supportive for the Group's market outlook. As reflected in the 2025 Annual Report, the thermal power market is already quite saturated as thermal power plants or facilities have largely completed the installation of catalysts solutions and equipment and the focus of this market has generally shifted from "new installs" to "maintenance, replacements and restocks". The national installed capacity of thermal power has also seen minimal growth recently, and its share of the total national installed power generation capacity is declining year by year. However, the promotion of biomass co-firing, green ammonia co-firing, and CCUS technologies for coal-fired units may open up new markets for more advanced denitration catalysts because the flue gas characteristics and therefore emissions management under these new operation and co-firing conditions may become more complex, so the use of more advanced denitration catalysts may be required for controlling the emissions and pollution thereunder. In this relation, we noted from the 2024 Annual Report and 2025 Annual Report that the Company has been active and possesses experience in developing new catalyst products to fulfill evolving market demands and regulatory requirements, and considered that it would be able to leverage on such experience and try to research and develop new and/or more advanced products should new market opportunities arise. Meanwhile, the ultra-low emission retrofits for steel, cement kilns, and glass furnaces industries may also encourage demand for more advanced denitration catalysts as regulators' requirements on pollutant control and environmental protection become increasingly stringent. On the other hand, carbon monoxide removal catalysts and related technologies will likely benefit from accelerated CCUS deployment and carbon capture system optimisation. Expansion of the carbon market to steel, cement, and aluminum smelting may also intensify demand for high-performance denitration and carbon monoxide removal solutions in these sectors, as enterprises seek to lower compliance costs through improved

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4 https://www.mee.gov.cn/zcwj/zyygwj/202604/t20260422_1149910.shtml

emission control and efficiency. The broader energy conservation and carbon reduction opinions as reflected in the aforementioned policies of the PRC government further reinforce the catalyst market by prioritising industrial energy efficiency upgrades, green technology retrofits, and strict controls on high-emission projects, creating sustained tailwinds for catalyst demand across power, industrial, and related applications. We also enquired and understood from the Company that the regulators' push for hydrogen development and non-fossil integration would likely indirectly boosts catalyst needs in steam methane reforming, electrolysis, and biomass gasification, where catalysts like nickel-based or precious metals enhance efficiency.

However, there are some important conditions for the Group being able to capture the aforementioned market opportunities. There exist other dominant players in the PRC denitration catalysts and other environmental protection catalysts industry, and competitions are notable as reflected in the 2024 Annual Report and 2025 Annual Report, including but not limited to price competitions as evidenced by the downward pressure on selling prices across the Group's segments. To thrive in this market under a competitive environment, we considered it important for the Group being able to (i) expand and optimise production capacity and efficiency promptly to meet delivery windows required by its customers and lower unit production cost, so as to compete on both volume and unit price with other players and defend the Group's margins in a price-sensitive market; (ii) differentiate with other players through continuous R&D and enhancing application performance, demonstrating that the Group's products and technical services can help customers meet the evolving and increasingly stringent environment protection standards and requirements, which may help the Group compete with other players in terms other than price and counter pure-price competition pressure to a certain extent; and (iii) secure capital timely and on competitive terms in pursuit of the aforesaid production capacity and efficiency expansion and optimization and continuous R&D and application performance enhancement. If the Group is unable to achieve any or all of the above, it risks losing to its competitors in terms such as unit price and volume, timely delivery of products, profit margins and customer confidence and loyalty.

Based on all the above, we considered that government policies are supportive towards the business and industry of the Group, and the Group's market outlook is generally optimistic, but it is crucial for the Group to secure capital timely for expanding and optimising production capacity and efficiency, continuous R&D and enhancing application performance.

(b) Information on the Subscriber

The Subscriber is an executive Director, chairlady of the Board and a controlling Shareholder. She is primarily responsible for the overall management of the Group. The Subscriber is also the general manager of Beijing Denox and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd., both of which are wholly-owned subsidiaries of the Company.

As at the date of the Share Subscription Agreement and the Latest Practicable Date, the Subscriber personally holds 24,612,477 Shares, and through her controlled corporation, Advant Performance, holds 251,839,009 Shares. Moreover, Fine Treasure Asia Holdings Limited, which is wholly owned by Mr. Li Ke, an executive Director, who is presumed to be acting in concert with the Subscriber under the Class (6) presumption of the definition of "acting in concert" under the Takeovers Code, holds 2,962,474 Shares as at the Latest Practicable Date. Accordingly, the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and the parties acting in concert with any of them directly and indirectly hold an aggregate of 279,413,960 Shares, representing approximately 47.13% of the issued share capital of the Company as at the Latest Practicable Date. The Subscriber is therefore a connected person of the Company.

(c) ***Reasons for and benefits of the Transactions***

As set out in the Letter from the Board, the net proceeds from the Share Subscription are intended to be used as to (i) approximately 20% of the net proceeds (being approximately HK$4.665 million for enhancement and upgrading of production equipment for the manufacture of corrugated plate-type catalysts; (ii) approximately 60% of the net proceeds (being approximately HK$14.0 million for the procurement of raw materials for carbon monoxide removal catalysts including but not limited to core precious metals; and (iii) approximately 20% of the net proceeds (being approximately HK$4.665 million) for general working capital.

It is explained that the Group has achieved a breakthrough in the development and industrialisation of its corrugated plate-type catalysts, which are positioned for the increasingly stringent environmental emission standards. The Group's new corrugated plate-type catalysts can be applied to the large-scale combustion engine turbine sector and has a much higher yield rate, while the old version generally applies to the petrochemical and waste incineration sectors with small-scale output. The Group expects to secure orders from new customers from combustion engine turbine manufacturers and anticipates a significant increase in export demand. The Group also intends to expand its production capacity for corrugated plate-type catalysts by adding relevant production equipment in view of the expected growth in demand and the high utilisation rate of its existing production facilities, and believes that this expansion will enable the Group to ensure timely delivery, maintain consistent product quality, and better capture opportunities in both domestic and overseas markets.

In view of the above, we enquired the Company and understood that the production capacity of the Group's existing corrugated plate-type catalyst production equipment is insufficient such that the Group turned down certain orders for corrugated plate-type catalyst from customers because the Group considered itself unable to fulfill the orders within the specified time period under the existing production capacity. We obtained communication records from the Company and confirmed the above. By expanding the production capacity of corrugated plate-type catalyst, the Group believes that it can secure higher volume orders from customers and ensure timely delivery. In this relation, we also enquired the Company about upcoming and potential orders of corrugated plate-type catalyst from customers. We understood that the Group has started securing orders from new customers from combustion engine turbine manufacturers since around end of 2025. We have also obtained copies of such orders from the Company and noted that the aggregate order sum of them exceeded RMB1.5 million as at the Latest Practicable Date. We also understood from the Company that they are in negotiations for a number of potential orders of corrugated plate-type catalyst from customers, including those in overseas. Therefore, we concurred with the Company's view that the Group could secure orders from new customers from combustion engine turbine manufacturers for its new version of corrugated plate-type catalysts, and there could be expected growth in demand for the same. We further understood from the Company that the proposed expansion of production capacity of the Group's existing corrugated plate-type catalyst includes addition and upgrading of production equipment to cater for a more optimised production of the Group's new version of corrugated plate-type catalyst which, when compared to the old version, has improved functionality in neutralising more types of emissions and pollutants. By the aforementioned addition and upgrading of production equipment, the Group can produce both old and new versions of corrugated plate-type catalyst efficiently, and can fulfill different needs of its customers. In light of the increasingly stringent environmental emission standards imposed by regulators, details of which have been discussed in the section headed "1. – (a) – Market outlook of the Group" above, we agreed that the above will enhance the Group's competitive edge in the market. The Company's plan to enhance and upgrade production equipment for the manufacture of corrugated plate-type catalysts is also in line with our analysis in the section headed "1. – (a) Background information of the Company and the Group – Market outlook of the Group" that it is crucial for the Group to expand and optimise production capacity and efficiency and enhance application performance in order to compete with other players and thrive in the industry. Based on the above, we concurred with the Company that it is necessary for the Group to expand its production capacity for corrugated plate-type catalysts in view of the expected growth in demand and add or upgrade relevant production equipment.

On the other hand, in February 2026, the Group further obtained an exclusive right to use the advanced carbon monoxide removal catalyst formula developed by Hainan Botuo Technology Company Limited* (海南博拓科技有限公司), and has commenced production of carbon monoxide removal catalysts leveraging on it, which are currently undergoing on-site operational validation at customers' facilities. These products have demonstrated stable and satisfactory performance to date, laying a solid foundation for the Group's further expansion into the carbon monoxide removal market. In this relation, we enquired with the Company and understood that since around the fourth quarter of 2025 and up to the Latest Practicable Date, leveraging on the advanced carbon monoxide removal catalyst formula developed by Hainan Botuo, it has already secured 14 contracts with independent third-party customers with aggregate contract sum exceeding RMB200 million as at the Latest Practicable Date. We also reviewed the Company's calculations on the historical average unit costs of the carbon monoxide removal catalyst, and noted that the costs of precious metals contributed a significant part of that. We also noted from the Group's contracts with independent third-party customers for the carbon monoxide removal catalyst that the customers usually pay the Group in instalments, and the last instalment payable to the Group could be up to 42 months after the Group's delivery. On contrary, we obtained and reviewed the Group's orders for procuring precious metals used in the production of carbon monoxide removal catalysts, and noted that payment is required in full upon delivery. Based on the above, we concurred with the Company that the Group requires additional funds to procure core precious metals and other raw materials for carbon monoxide removal catalysts, especially under the associated mismatch between cash inflow and cash outflow cycles as explained above.

The Board has considered various fund raising alternatives, including bank borrowings and equity fund-raising exercises such as placement of Shares to independent third parties, rights issue, open offer and the Share Subscription. In light that the finance cost of the Group has been increasing in the past three financial years, the Directors have concluded that debt financing, such as bank borrowings, was less desirable as it would increase the Group's gearing level and incur ongoing finance costs, thereby imposing additional financial burden on the Company. In this relation, we agreed that debt financing may incur financial costs and may be subject to lengthy due diligence and negotiations with lenders. Given the Group's consecutive net losses over recent years, we consider that debt financing would increase the Group's financial burden, further undermine the Group's financial performance and is not the most appropriate financing method for the Company. As regards equity fund raising alternatives, the Company approached several securities brokerage firms regarding the possibility and feasibility of acting as placing agent and/or underwriter. However, none of them expressed interest in the proposed capital raising exercise after considering the factors including the relatively low liquidity in the Shares, the recent surge of the trading price of the Shares, and the prevailing unfavourable market conditions, which have adversely affected overall investor sentiment. In addition, any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market conditions. A rights issue or open offer would require the preparation and despatch of listing documents and compliance with additional application and administrative procedures, which would require relatively longer time and incur higher administrative costs as compared to the Share Subscription. We agreed with the aforesaid views of the Company regarding equity fund raising alternatives, and further considered that placing, rights issue and open offer would incur additional costs such as placing or underwriting commission as compared to the Share Subscription, which is unfavourable to the Group given its consecutive net losses over recent years. We also noted that the liquidity of the Shares in the 12 months immediately prior to the date of the Share Subscription Agreement (i.e. from 11 July 2025 to 10 July 2026, both dates inclusive) has been thin. Particularly, based on the data available on the website of the Stock Exchange, (i) nil Share trading volume was recorded on 77 trading days among the 245 trading days in such 12-month period, representing a nil-trading percentage of approximately 31.4%; and (ii) based on the total issued 592,844,400 Shares as at the end of July 2025 up to July 2026, the daily trading volume of the Shares during such 12-month period averaged at only approximately 0.08% of the number of total issued Shares, with a median of only approximately 0.01%. We considered that the thin liquidity of the Shares in such 12-month period, coupled with the consecutive loss of the Group in the past three years, would likely discourage potential investors to participate in the Company's equity fund raising activities at competitive terms, if at all. Based on all the above, we considered that placing, rights issue and open offer are not the most appropriate financing methods for the Company.

Having taken into consideration the above factors, we consider that although the Share Subscription is not conducted in the ordinary and usual course of business of the Company, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and already represents the most appropriate funding option currently available to the Company.

2. The Share Subscription Agreement

(a) Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are as follows:

Date:	10 July 2026 (after trading hours)
Parties:	(a) the Company (as issuer); and
	(b) the Subscriber (as subscriber)
Total Share Subscription consideration:	HK$24,330,334.18
Subscription price per Subscription Share:	HK$0.1368
Par Value of Subscription Shares:	Ordinary shares of the Company with a par value of US$0.01 each

The Subscription Shares

177,853,320 Shares will be issued at the Subscription Price per Subscription Share under the Share Subscription upon Completion, which represents:

(a) 30.00% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(b) approximately 23.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after Completion, assuming that there will be no change in the total number of issued Shares between the Latest Practicable Date and the Completion Date.

The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM. The maximum aggregate nominal value of the Subscription Shares is US$1,778,533.20.

(b) Subscription Price

The Subscription Price of HK$0.1368 per Subscription Share represents:

(a) a discount of approximately 16.59% to the closing price of HK$0.164 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;

(b) a discount of approximately 10.59% to the average closing price of HK$0.153 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement;

(c) a discount of approximately 15.56% to the average closing price of approximately HK$0.162 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Share Subscription Agreement;

(d) a discount of approximately 6.30% to the average closing price of approximately HK$0.146 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to the date of the Share Subscription Agreement;

(e) a discount of approximately 18.57% to the closing price of HK$0.168 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(f) a discount of approximately 34.23% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2025 of approximately HK$0.2080 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB111,378,000 as at 31 December 2025 as extracted from the annual report of the Company for the year ended 31 December 2025 and 592,844,400 Shares then in issue (based on the exchange rate of HK$1:RMB0.90322 as at 31 December 2025 published by the State Administration of Foreign Exchange for illustration purposes); and

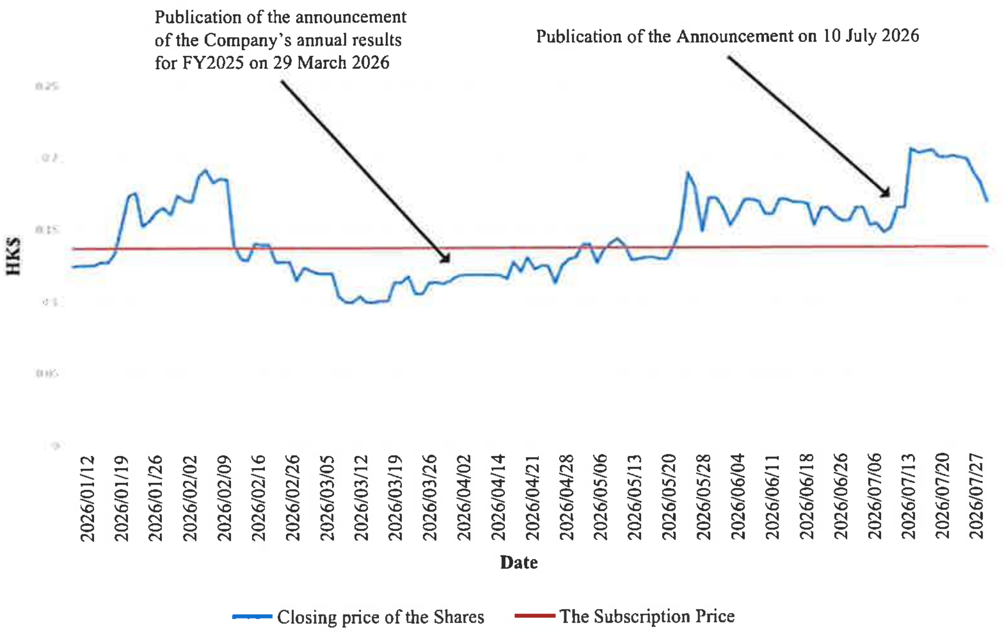
(g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.83%, represented by the theoretical diluted price of approximately HK$0.158 per Share to the benchmarked price of approximately HK$0.164 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Share Subscription Agreement of HK$0.164 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Share Subscription Agreement of HK$0.153 per Share).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber taking into account, among other factors, that: (i) the Group is currently facing considerable operating cash pressure in settling trade payables, accruals and other payables; (ii) the Group has increased funding needs for the expansion of its production capacity and for procurement of core precious metals and other raw materials to support its business expansion, as further explained in the paragraph headed "3. Reasons for and Benefits of the Share Subscription and Use of Proceeds" in the Letter from the Board of the Circular; (iii) the relatively low liquidity of the Shares, with approximately one-third of the 245 trading days in the past twelve months recording no trading volume, which has created practical difficulties for the Company in issuing significant amount of new Shares at the prevailing market price; (iv) the recent and historical market prices of the Shares, with less than 50% of the closing prices during the six-month period immediately preceding to the date of the Share Subscription Agreement exceeding the Subscription Price; (v) the Subscription Price represents a discount of approximately 16.5% to the benchmark price of approximately HK$0.164 per Share and that the Share Subscription would result in a theoretical dilution effect of approximately 3.83%, which is considered moderate by the Company; and (vi) the prevailing equity capital market conditions, noting that none of the securities brokerage firms approached by the Company expressed interest in the proposed capital raising exercise.

3. Discussion on the Subscription Price

(a) Historical Share price performance

Set out below is the historical price performance of the Shares as quoted on the Stock Exchange during the six-month period prior to and including the date of the Share Subscription Agreement (i.e. 10 July 2026) (the "**Pre-Agreement Period**"), and up to and including the Latest Practicable Date (the "**Post-Agreement Period**", together with the Pre-Agreement Period, the "**Review Period**"). We considered the Review Period appropriate as (i) it reflects the general trend and recent market valuation of the Shares up to immediately prior to the date of the Share Subscription Agreement; (ii) a shorter period (e.g. 3 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. 1 year) may have been too distant in time, making such historical trend less relevant within the context of the Share Subscription and with reference to the prevailing market conditions.



Source: website of the Stock Exchange

During the Pre-Agreement Period, the closing prices of the Shares ranged from the lowest of HK$0.099 per Share, to the highest of HK$0.191 per Share with an average closing price of approximately HK$0.1397 per Share. The Subscription Price of HK$0.1368 per Subscription

Share is within the aforesaid price range of the Shares and is lower than the average closing price. Nevertheless, we noted that the Shares had been traded at below the Subscription Price for approximately 50.83% of the time during the Pre-Agreement Period.

As depicted in the chart above, the closing prices of the Shares were below the Subscription Price around the beginning of the Review Period before surging at around end of January 2026 and reaching the peak at HK$0.191 on 6 February 2026. After reaching the peak, the closing prices of the Shares started to decline sharply, closing at below the Subscription Price on 13 February 2026, and continued to stay below the Subscription Price for most of the time up to around mid-May 2026. The closing prices of the Shares then rebounded and generally stabilised at above the Subscription Price with minor fluctuations up to and including the date of the Share Subscription Agreement, where it closed at HK$0.164 per Share. After publication of the Announcement in relation to, among other things, the Share Subscription Agreement, the closing price of the Shares increased to HK$0.205 per Share on 13 July 2026, and remained generally stable up to 27 July 2026, after which it dropped to HK$0.168 per Share on the Latest Practicable Date. We have enquired the Directors about possible reason(s) behind the fluctuations in Share prices during the Pre-Agreement Period, and they were not aware of any such reason. We have also reviewed the announcements made by the Company during the Pre-Agreement Period, and considered the announcement of the Company's annual results for FY2025 on 29 March 2026 to be the only material announcement of the Company during the Pre-Agreement Period which may have material impact on Share prices. Nevertheless, even such annual results announcement of the Company appears to have no material impact on the closing prices of the Shares around the material time. Therefore, we have similar view with the Directors that the fluctuations in Share prices during the Pre-Agreement Period were mainly attributable to market forces. We have also enquired the Directors about possible reason(s) behind the increase in Share prices after publication of the Announcement, and they were also not aware of any such reason other than possibly the publication of the Announcement itself.

Despite that the Subscription Price of HK$0.1368 per Subscription Share represents discounts when compared to the prevailing closing prices of the Shares prior to and including the date of the Share Subscription Agreement, and that it is lower than the average closing price of the Shares of approximately HK$0.1397 per Share during the Pre-Agreement Period, having considered that (i) the Subscription Price falls within the historical Share price range during the Review Period; (ii) the Shares had been traded at below the Subscription Price for approximately 50.83% of the time during the Pre-Agreement Period; (iii) the liquidity of the Shares in the 12 months immediately prior to the date of the Share Subscription Agreement (i.e. from 11 July 2025 to 10 July 2026, both dates inclusive) has been thin and approximately 31.4% of the trading days during the period recorded nil trading of Shares, details of which are discussed in the paragraph headed "1. – (c) Reasons for and benefits of the Transactions" above; (iv) the Share Subscription is already the most appropriate funding method currently available to the Company when compared with debt financing alternatives and other equity financing alternatives such as placing, rights issue and open offer, details of which are discussed in the paragraph headed "1. – (c) Reasons for and benefits of the Transactions" above; and (v) a discount to recent market price would incentivize the Subscriber to participate in the Share Subscription, which is favourable to the Company and the Shareholders (including Independent Shareholders) as a whole as the Group can promptly obtain the proceeds from the

Share Subscription for uses including production capacity and efficiency expansion and optimization and raw material procurement, which is crucial for the Group to compete other players in the market, we are of the view that the Subscription Price is fair and reasonable.

(b) ***Comparison companies***

In assessing the fairness and reasonableness of the Subscription Price, we have also performed a comparable companies analysis.

Given that the Company is listed on the Main Board and the Group is principally engaged in the design, development, manufacture and sales of denitration catalysts, carbon monoxide removal catalysts and other types of environmental protection catalysts in the PRC, we have attempted to identify companies who are listed on the Main Board and generated the majority of its revenue from similar businesses. However, to our best knowledge, we were unable to identify companies whose businesses are strictly limited to the design, development, manufacture and sales of such catalysts. Therefore, we have broaden the criteria of business scope of the comparable companies to also include companies engaging in providing flue gas desulfurisation and denitrification/environmental pollution prevention/particulate emission control equipment or device, engineering, installation services, solutions and/or operation services. We considered comparable companies with such broaden business scope still meaningful for comparison with the Company as they are still in the same industry with the Company, and we understood that the Company would also provide certain engineering, installation, trial testing and operation consultation and services to its customers, such that the difference between the business scopes of the Company and the comparable companies is not too material. Based on the aforesaid criteria, we have identified, to the best of our knowledge, an exhaustive list of three comparable companies (the "**Comparable Company(ies)**").

We then considered a few commonly seen valuation metrics to be adopted in our comparable analysis. We noted that the Company's business nature is not asset-heavy, and therefore considered price-to-book ratio inappropriate as it primarily measures the net book value of the company being valued and could understate the true economic value of companies which are not asset-heavy, like the Company. We also noted that the Company is loss-making in its latest audited financial year, which rendered the price-to-earnings ratio inapplicable. Therefore, we adopted the price-to-sales ratio (the "**P/S Ratio**"), a valuation metric that compares the share price of a business to its revenue and a measure of how much the financial markets value each dollar of a company's sales, in our comparable analysis.

Although there are only three Comparable Companies, they were already selected exhaustively with a 100% coverage of all suitable Comparable Companies satisfying the above selection criteria under an unbiased selection process. In addition, despite differences in financial conditions, target customers and market capitalisation between the Company and the Comparable Companies, as the Comparable Companies are engaged in similar principal activities and also listed on the Stock Exchange, we considered that they are likely to be influenced by similar macro-economic factors as the Group. In light of the above, we are of the view that the Comparable Companies are a fair and representative sample and can serve as a reference to the fairness and reasonableness of the Subscription Price.

The following table sets out our analysis on the Comparable Companies:

Company name	Stock code	Principal business	Market capitalisation on the date of the Share Subscription Agreement (i.e. 10 July 2026) *(Note 1)* *HK$ million*	P/S Ratio *(Note 2)* *times*
Datang Environment Industry Group Co., Ltd.* – H shares (大唐環境產業集團股份有限公司 – H股) ("**Datang Env**")	1272	Mainly engaged in environmental protection and energy-saving solutions, including flue gas desulfurisation and denitrification facilities concession operation for coal-fired power plants, the manufacture and sale of denitrification catalysts, engineering for coal-fired power plants, water treatment, the engineering general contracting for newly-built wind power plants, biomass power plants and photovoltaic power plants, the engineering procurement construction services for thermal power plants, fiberglass chimney anti-corrosion and air cooling system engineering general contracting.	655.5	0.49
Zhejiang Tengy Environmental Technology Co., Ltd – H shares ("**Zhejiang Tengy Env**")	1527	Principally engaged in the design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products; and general contractor for air pollution control projects, including precipitators and flue gas desulfurization and denitrification devices in China, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries, its atmospheric pollution control solutions include engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance services.	64.8	0.28

Company name	Stock code	Principal business	Market capitalisation on the date of the Share Subscription Agreement (i.e. 10 July 2026) *(Note 1)* *HK$ million*	P/S Ratio *(Note 2)* *times*
China Boqi Environmental (Holding) Co., Ltd.	2377	Principally engaged in providing independent flue gas treatment service and environmental protection solution service, including flue gas treatment environmental protection facility engineering, operation and maintenance, investment projects and others, water treatment project engineering and design, procurement of equipment and materials, project construction, equipment installation, commissioning services and the sewage treatment service, detoxification, reduction and resource treatment and disposal of bulk solid waste and industrial hazardous waste, and dual-carbon new energy business.	718.1	0.28
			Maximum	**0.49**
			Minimum	**0.28**
			Average	**0.35**
			Median	**0.28**
The Share Subscription			**81.1** *(Note 3)*	**0.37** *(Note 4)*

* *for identification purposes only*

Source: website of the Stock Exchange

Notes:

1. Based on the closing price of the share of the respective Comparable Company as quoted on the Stock Exchange as at 10 July 2026 and their respective issued shares (excluding treasury shares) (mean issued H shares for Datang Env and Zhejiang Tengy Env) as quoted on their published monthly return for June 2026 available on the website of the Stock Exchange.

2. The figures are calculated based on the market capitalisation of the respective Comparable Company (please refer to note 1 above) (for Datang Env and Zhejiang Tengy Env, their respective market capitalisation are first divided by the respective percentage of their H shares to their total issued shares) divided by the revenue of the respective Comparable Company in the latest financial year.

3. Being the market capitalisation of the Company implied by the Subscription Price.

4. The figure is calculated by dividing the market capitalisation of the Company implied by the Subscription Price and the revenue of the Company for FY2025 from the 2025 Annual Report.

As illustrated above, the P/S Ratios of the Comparable Companies ranged from approximately 0.28 times to approximately 0.49 times (the "**P/S Ratio Range**"), with an average of approximately 0.35 times and median of approximately 0.28 times. The P/S Ratio of the Company implied by the Subscription Price of approximately 0.37 times is within the P/S Ratio Range, and higher than the average and median of the P/S Ratios of the Comparable Companies. Based on the result of this comparable companies analysis, we considered the Subscription Price fair and reasonable.

(c) ***Comparison transactions***

We have also conducted an exhaustive search on the Website of the Stock Exchange to identify recent market practices involving the issuance of new shares under a specific mandate. We identified an exhaustive list of eight comparable transactions (the "**Comparable Transactions**") based on the following criteria: (i) transactions announced by companies listed on the Main Board of the Stock Exchange during the period from 11 July 2025 to the date of the Share Subscription Agreement (i.e. 10 July 2026), being an approximate one-year period; (ii) transactions involving a connected subscription of new shares under specific mandate; and (iii) transactions that did not involve debt capitalisation, issue of convertible notes/bonds, acquisitions, restructuring, rights issues, open offers, issue of A shares or warrants. Such transactions were excluded as the pricing of such transactions may be influenced by factors and conditions that are not comparable to the Share Subscription. The one-year review period also ensures a reliable reflection of the prevailing market sentiment. We did not adopt whether whitewash waiver application is involved as a selection criteria, as we considered that there is no obvious correlation between it and the pricing discount/premium. In particular, from the table below setting out details of the Comparable Transactions, it can be observed that both transactions with and without whitewash waiver application have been carried out at both generally discounted and/or premium prices to or over their respective prevailing share prices. We also did not adopt subscription size and dilution effect as selection criteria as we also considered them to have no obvious correlation with the pricing discount/premium.

Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions conducted by companies listed on the Main Board of the Stock Exchange.

Company name (stock code)	Date of announcement	Whether whitewash waiver application is involved (Yes (Y)/ No (N))	Premium over/ (Discount) to the respective share closing price on the respective date of the share subscription agreement	Premium over/ (Discount) to the respective average closing price of the share for the last five consecutive trading days immediately prior to and including the respective date of the share subscription agreement	Premium over/ (Discount) to the respective average closing price of the share for the last 30 consecutive trading days immediately prior to and including the respective date of the share subscription agreement	Premium over/ (Discount) to the respective average closing price of the share for the last 60 consecutive trading days immediately prior to and including the respective date of the share subscription agreement	Premium over/ (Discount) to the respective latest published audited/ unaudited consolidated net asset value per share attributable to the shareholders *(Note)*	Dilution
CAI Corp (80)	29 May 2026	N	10.0%	8.2%	(5.4%)	(9.4%)	151.9%	6.4%
Huicheng International Holdings Limited (1146)	26 May 2026	Y	88.7%	93.8%	92.7%	113.2%	(65.1%)	1.5%
China Youran Dairy Group Limited (9858)	16 January 2026	Y	(8.8%)	(17.9%)	(15.2%)	(3.4%)	16.2%	4.7%
Energy International Investments Holdings Limited (353)	24 December 2025	N	(18.3%)	(19.41%)	(22.79%)	(23.54%)	(80.77%)	21.4%
BeijingWest Industries International Limited (2339)	17 November 2025	N	(34.2%)	(20.0%)	(18.17%)	(2.35%)	(22.80%)	9.6%
China Wacan Group Company Limited (1920)	10 November 2025	N	4.3%	2.19%	0.00%	(7.05%)	514.70%	10.8%
WuXi XDC Cayman Inc. (2268)	3 September 2025	N	(12.16%)	(1.42%)	0.32%	14.19%	797.86%	0.5%
China Suntien Green Energy Corporation Limited – H shares (956)	27 August 2025	Y	16.6%	16.4%	16.1%	15.5%	(11.5%)	3.0%
	Maximum		88.7%	93.8%	92.7%	113.2%	797.9%	21.4%
	Minimum		(34.2%)	(20.0%)	(22.8%)	(23.5%)	(80.8%)	0.5%
	Average		5.8%	7.7%	5.9%	12.2%	162.6%	7.2%
	Median		(2.3%)	0.4%	(2.7%)	(2.9%)	2.6%	5.6%
The Share Subscription	10 July 2026	Y	(16.59%)	(10.59%)	(15.56%)	(6.30%)	(34.23%)	10.21%

Note: Being the decrease in the shareholding interests of public Shareholders.

As illustrated above, the discounts represented by the Subscription Price is within range of the premiums/discounts of the subscription prices in the Comparable Transactions over/to all parameters. Although the discounts represented by the Subscription Price are below the average and median of the premiums/discounts of the subscription prices in the Comparable Transactions over/to all parameters, having considered that (i) the discounts represented by the Subscription Price is within range of the premiums/discounts of the subscription prices in the Comparable Transactions over/to all parameters; (ii) the reasons for and benefits of the Share Subscription as discussed in the section headed "1. – (c) Reasons for and benefits of the Transactions"; (iii) the Share Subscription is already the most appropriate funding method currently available to the Company when compared with debt financing alternatives and other equity financing alternatives such as placing, rights issue and open offer; (iv) the thin liquidity of the Shares in the 12 months immediately prior to the date of the Share Subscription Agreement (i.e. from 11 July 2025 to 10 July 2026, both dates inclusive); (v) a discount to recent market price would incentivize the Subscriber to participate in the Share Subscription, which is favourable to the Company and the Shareholders (including Independent Shareholders) as a whole as the Group can promptly obtain the proceeds from the Share Subscription for uses including production capacity and efficiency expansion and optimization and raw material procurement, which is crucial for the Group to compete other players in the market; (vi) the Subscription Price falls within the historical Share price range during the Review Period; and (vii) the P/S Ratio of the Company implied by the Subscription Price of approximately 0.37 times is within the P/S Ratio Range, and higher than the average and median of the P/S Ratios of the Comparable Companies, we were of the view that the Subscription Price is fair and reasonable.

(d) Overall comments

After taking into account our analysis of the Subscription Price in respect of the historical Share price performance, Comparable Companies and Comparable Transactions as a whole, we were of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the section headed "Effects on shareholding structure of the Company" of the Letter from the Board, immediately following the completion of the Share Subscription, the shareholding interests of the existing Public Shareholders in the Company would be diluted from 44.25% to 34.04%. Nonetheless, in view of (i) the reasons for and the benefits of the Share Subscription, which is the most appropriate fund-raising method currently available to the Company when compared with debt financing alternatives and other equity financing alternatives such as placing, rights issue and open offer; and (ii) the Share Subscription (including the Subscription Price) being on normal commercial terms and fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

5. Whitewash Waiver

As at the Latest Practicable Date, the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited (which is wholly owned by Mr. Li Ke, an executive Director, who is presumed to be acting in concert with the Subscriber under the Class (6) presumption of the definition of "acting in concert" under the Takeovers Code) and the parties acting in concert with any of them hold 279,413,960 Shares, representing approximately 47.13% of the issued share capital of the Company. Upon Completion, the shareholding of the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and the parties acting in concert with any of them will increase to approximately 59.33% of the issued share capital of the Company.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Share Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and parties acting in concert with any of them), unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Subscriber to the Executive for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber, Advant Performance, Fine Treasure Asia Holdings Limited and parties acting in concert with any of them) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to the Subscriber. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription, respectively, at the EGM.

The Subscriber, Advant Performance, their respective associates, and any parties acting in concert with any of them, Fine Treasure Asia Holdings Limited (which is wholly owned by Mr. Li Ke, an executive Director, who is presumed to be acting in concert with the Subscriber under the Class (6) presumption of the definition of "acting in concert" under the Takeovers Code) and the Shareholders who are involved in or interested in the Share Subscription and/or the Whitewash Waiver, will be required to abstain from voting in respect of the resolution(s) to approve the Share Subscription and the Whitewash Waiver at the EGM.

Completion of the Share Subscription is conditional upon the granting of the Whitewash Waiver, which is non-waivable. Having taken into consideration (i) the reasons for and benefits of the Share Subscription as discussed in the section headed "1. – (c) Reasons for and benefits of the Transactions"; (ii) that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Share Subscription would not proceed and the Company would consequently be unable to obtain the expected equity funding under the Share Subscription if the Whitewash Waiver is not approved, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver, although not in the ordinary and usual course of business of the Group, are (i) in the interests of the Company and the Independent Shareholders as a whole; and (ii) the terms of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committees to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED

Ernest Lam	**Leo Chan**
Managing Director	*Managing Director*

Mr. Ernest Lam is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 23 years of experience in the corporate finance industry.

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 21 years of experience in corporate finance industry.