
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Proposal, the Scheme, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Canvest Environmental Protection Group Company Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**GRANDBLUE INVESTMENT
HONGKONG LIMITED**

(瀚藍(香港)環境投資有限公司)

(Incorporated in Hong Kong with limited liability)

**CANVEST ENVIRONMENTAL PROTECTION
GROUP COMPANY LIMITED**

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

**(1) PROPOSAL FOR THE PRIVATISATION OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED BY THE
OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT
OF THE CAYMAN ISLANDS)**

(2) OPTION OFFER

**(3) CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION
TO THE LAND DISPOSAL, SMART PARKING DISPOSAL AND
OFFICE BUILDING DISPOSAL**

(4) SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT

**(5) SPECIAL DEAL IN RELATION TO AMENDMENTS TO EXCHANGEABLE BONDS
TERMS AND CONDITIONS**

(6) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY

Exclusive Financial Adviser to the Offeror



**CITIC
SECURITIES**

Exclusive Financial Adviser to the Company



農銀國際

ABC INTERNATIONAL

Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders and the EB Amendments Independent Shareholders (as the case may be) in relation to the Proposal, the Scheme, the Rollover Arrangement, the Smart Parking Disposal, the Office Building Disposal, the Land Disposal, the EB Amendments and the Option Offer is set out in Part V of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme, the Rollover Arrangement, the Smart Parking Disposal, the Office Building Disposal, the Land Disposal, the EB Amendments and the Option Offer is set out in Part VI of this Scheme Document. The Explanatory Memorandum is set out in Part VII of this Scheme Document. The actions to be taken by the Shareholders and the Optionholder are set out in Part II of this Scheme Document.

Notices convening the EGM and the Court Meeting to be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong on Monday, 12 May 2025 at 2:30 p.m. and 3:00 p.m. (or if later, as soon as practicable after the conclusion or adjournment of the EGM) respectively are set out in Appendix V and Appendix VI of this Scheme Document respectively. Whether or not you are able to attend any of the Meetings or any adjournment or postponement thereof in person, you are strongly urged to complete and sign the enclosed **WHITE** form of proxy in respect of the EGM and the enclosed **PINK** form of proxy in respect of the Court Meeting, in accordance with the instructions printed thereon, and to deposit them at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated under Part II — Actions to be Taken of this Scheme Document. If the **WHITE** form of proxy is not lodged at least 48 hours before the time appointed for the EGM or any adjournment or postponement thereof, it will not be valid. If the **PINK** form of proxy is not so lodged, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. Completion and return of a form of proxy for the EGM and/or the Court Meeting will not preclude you from attending and voting in person at the relevant Meeting or any adjournment or postponement thereof should you so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is jointly issued by the Company and the Offeror.

The English language text of this Scheme Document shall prevail over the Chinese language text

17 April 2025

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In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise.

“ABCI Capital”	ABCI Capital Limited, the exclusive financial adviser to the Company in respect of the Proposal. ABCI Capital is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement”	the announcement dated 22 July 2024 jointly issued by the Offeror and the Company in relation to, among other things, the Proposal, the Scheme and the Option Offer
“Approvals”	authorisations, registrations, filings, rulings, consents, opinions, permissions, waivers, notices and approvals
“associate”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner other than him/herself
“Best Approach”	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of the BVI with limited liability, which is directly held as to 55% by VISTA Co and indirectly held as to 45% by VISTA Co through Century Rise Development Limited, and holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company as at the Latest Practicable Date
“Best Approach Cancellation Price”	HK\$5,680,213,363.30, the total cancellation price payable by the Offeror to Best Approach under the Proposal
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Cancellation Price”	the cancellation price of HK\$4.90 (less the Dividend Adjustment (if any)) per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme. Unless otherwise stated, reference to the Cancellation Price in this Scheme Document is to the amount of HK\$4.90 per Scheme Share, without taking into account any Dividend Adjustment

“Canvest Technology”	Canvest Technology Company Limited (粵豐科技有限公司), formerly known as Canvest Environmental (Overseas) Company Limited
“Capital Injection”	has the meaning ascribed to it under the section headed “2. Pre-Conditions to the making of the Proposal — Capital injection in Grandblue Foshan” in Part VII — Explanatory Memorandum of this Scheme Document
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities and Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“CITIC Securities”	CITIC Securities (Hong Kong) Limited, the exclusive financial adviser to the Offeror in respect of the Proposal. CITIC Securities is a licensed corporation under the SFO, licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Company”	Canvest Environmental Protection Group Company Limited (Stock Code: 1381), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands
“Core Deferred Cancellation Price”	the HK\$216,520,515.32 portion of the Deferred Cancellation Price
“Corporate Governance Agreement”	the corporate governance agreement dated 12 September 2024 entered into between the Offeror and Best Approach in relation to the corporate governance arrangement of the Company after the Effective Date
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “4. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document
“Court Hearing”	the hearing of the petition by the Grand Court for the sanction of the Scheme

“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court to be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong on Monday, 12 May 2025 at 3:00 p.m. (or if later, as soon as practicable after the conclusion or adjournment of the EGM), notice of which is set out in Appendix VI to this Scheme Document, at which the Scheme (with or without modification) will be voted upon, or any adjournment or postponement thereof
“Deferred Cancellation Price”	HK\$963,516,293.17, representing approximately 16.96% of the total cancellation price payable by the Offeror to Best Approach under the Proposal
“Department of Finance of Guangdong Province”	Department of Finance of Guangdong Province (廣東省財政廳)
“Director”	director of the Company
“Dividend Adjustment”	has the meaning ascribed to it under the section headed “3. Terms of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document
“EB Amendments”	has the meaning ascribed to it under the section headed “9. Special deal in relation to amendments to exchangeable bonds terms and conditions” in Part IV — Letter from the Board of this Scheme Document
“EB Amendments Independent Shareholders”	Shareholders other than the Offeror, the Offeror Concert Parties and those who are interested in or involved in the EB Amendments (including Shanghai Industrial and True Victor)
“EB Amendments Special Deal”	has the meaning ascribed to it under the section headed “9. Special deal in relation to amendments to exchangeable bonds terms and conditions” in Part IV — Letter form the Board of this Scheme Document
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act, being the date on which a copy of the order of the Grand Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act

“EGM”	the extraordinary general meeting to be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong on Monday, 12 May 2025 at 2:30 p.m., notice of which is set out in Appendix V to this Scheme Document, for the purposes of considering, and if thought fit, approving, among other things, all necessary resolutions for the implementation of the Proposal, or any adjournment or postponement thereof
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum set out in Part VII of the Scheme Document
“Form(s) of Acceptance”	the form(s) of acceptance despatched to Optionholder in connection with the Option Offer
“Foshan Nanhai State-owned Assets Supervision and Administration Bureau”	State-owned Assets Supervision and Administration Bureau of Nanhai District, Foshan City (佛山市南海區國有資產監督管理局)
“Grand Court”	the Grand Court of the Cayman Islands
“Grandblue” or “the Offeror”	GRANDBLUE INVESTMENT HONGKONG LIMITED (瀚藍(香港)環境投資有限公司), a company incorporated in Hong Kong with limited liability, being the Offeror
“Grandblue Environment”	Grandblue Environment Co., Ltd.* (瀚藍環境股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai stock exchange (Shanghai stock code: 600323)
“Grandblue Environment Shares”	ordinary shares of RMB1.00 each in the share capital of Grandblue Environment
“Grandblue Environmental Investment”	Foshan Nanhai Grandblue Environmental Investment Company Limited* (佛山市南海瀚藍環保投資有限公司), a company established in the PRC with limited liability
“Grandblue Foshan”	Grandblue (Foshan) Investment Company Limited* (瀚藍(佛山)投資有限公司) (formerly known as Grandblue (Guangzhou) Investment Company Limited* (瀚藍(廣州)環境投資有限公司)), a company established in the PRC with limited liability

“Grandblue Solid Waste Treatment”	Foshan Nanhai Grandblue Solid Waste Treatment Investment Co., Ltd.* (佛山市南海瀚藍固廢處理投資有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of Grandblue Environment
“Group” or “Canvest Group”	the Company and its subsidiaries
“Guangdong Advanced Manufacturing Industry”	Guangdong Advanced Manufacturing Industry Investment Fund Partnership (Limited Partnership)* (廣東先進製造產業投資基金合夥企業(有限合夥))
“Guangdong Province SASAC”	State-owned Assets Supervision and Administration Commission, the People’s Government of Guangdong Province (廣東省人民政府國有資產監督管理委員會)
“Harvest VISTA Trust”	the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members)
“Hengjian Asset Management”	Guangdong Hengjian Asset Management Co., Ltd. (廣東恒健資產管理有限公司), a company established in the PRC with limited liability
“Hengjian Holding”	Guangdong Hengjian Investment Holding Co., Ltd.* (廣東恒健投資控股有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Company, which comprises Mr. Feng Jun, being the non-executive Director, and Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, being the independent non-executive Directors, established by the Board to make a recommendation to the Independent Shareholders and the EB Amendments Independent Shareholders (as the case may be) in respect of the Proposal, the Scheme, the Rollover Arrangement, the Smart Parking Disposal, the Office Building Disposal, the Land Disposal, the EB Amendments and the Option Offer
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror, the Offeror Concert Parties and those who are interested in or involved in the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal or the Office Building Disposal
“Independent Third Party”	a person or a company which is a third party, independent of the Company and its connected person(s) ascribed to it in the Listing Rules
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Issue of Grandblue Environment Shares”	has the meaning ascribed to it under the section headed “6. Shareholding structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document
“Irrevocable Undertaking”	the irrevocable undertaking dated 22 July 2024 and given by Best Approach (as the covenantor) and Mr. KM Lai and Ms. Loretta Lee (as Best Approach’s guarantors) in favour of the Offeror
“IU Shares”	collectively, the 1,335,615,837 Shares (including the Pledged Shares) held by Best Approach and the 1,376,000 Shares held by Ms. Loretta Lee and, if the context requires, the 250,000 Share Options which are held by Ms. Loretta Lee
“Land”	the land situated at 1/5 of land and above-ground buildings in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC (中國上海市寶山區月浦鎮 3 街坊 1/5 丘土地及地上建築物)

“Land Disposal”	the disposal of all equity interest in Shanghai Keda Chuangjia Environmental Protection Co., Ltd.* (上海科達創佳環保有限公司) a direct wholly-owned subsidiary of Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司)), which holds the Land, to Best Approach (or its affiliates)
“Last Trading Day”	22 July 2024, being the last trading day of Shares prior to the issuance of the Announcement
“Latest Practicable Date”	15 April 2025, being the latest practicable date for ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	14 November 2025 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and, in all cases, as permitted by the Executive
“Main Board”	the main board maintained and operated by the Stock Exchange
“Meeting(s)”	the EGM and the Court Meeting or either one of them, as the context may require
“Meeting Record Date”	Monday, 12 May 2025, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM
“Mr. CT Lai”	Mr. Lai Chun Tung (黎俊東), an executive Director and the spouse of Ms. Loretta Lee
“Mr. KM Lai”	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), an executive Director and the deputy chairman of the Company
“Ms. Loretta Lee”	Ms. Lee Wing Yee, Loretta (李詠怡), an executive Director and chairlady of the Board
“Nanhai Hengjian Fund”	Guangdong Nanhai Listed Company High-Quality Development Equity Investment Fund Partnership (Limited Partnership)* (廣東南海上市公司高質量發展股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Nanhai Holding”	Nanhai Holding Investment Co., Ltd.* (廣東南海控股集團有限公司), a company established in the PRC with limited liability

“Offer Period”	the period from 7 July 2024, the date of the Rule 3.7 Announcement, until the earliest of any of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code), including Best Approach, Ms. Loretta Lee, Mr. KM Lai and Mr. CT Lai
“Office Building Disposal”	the disposal of the entire issued share capital of KK VII (BVI) Limited and KK VIII (BVI) Limited to Best Approach (or its affiliates)
“Offshore Term Loan Facilities”	has the meaning ascribed to it under the section headed “3. Terms of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document
“Onshore Loan Facilities”	has the meaning ascribed to it under the section headed “2. Pre-Conditions to the making of the Proposal — Capital injection in Grandblue Foshan” in Part VII — Explanatory Memorandum of this Scheme Document
“Option Offer”	the offer made by or on behalf of the Offeror to the Optionholder
“Option Offer Letter”	the letter to the Optionholder setting out the terms and conditions of the Option Offer sent separately to the Optionholder and substantially in the form set out in Appendix VII to this Scheme Document
“Option Offer Price”	the price for cancellation of each Option, being HK\$0.51
“Optionholder(s)”	the holder(s) of the outstanding Share Option(s)
“Other CCASS Participant”	a person admitted to participate in CCASS other than an Investor Participant
“Pledged Shares”	the 370,668,722 Shares held by Best Approach, representing approximately 15.18% of the total issued share capital of the Company, which have been pledged by Best Approach to Shanghai Industrial
“PRC”	the People’s Republic of China (for the purpose of the Scheme Document, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)

“Pre-Conditions”	the pre-conditions to the making of the Proposal, as set out under the section headed “2. Pre- conditions to the making of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document
“Pre-Conditions Long Stop Date”	17 July 2025, the date that falls on the 360th day after the date of the Announcement, or such later date, if any, as the Offeror and the Company may agree in writing
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the Option Offer and the withdrawal of the listing of the Shares from the Stock Exchange on the terms and subject to the conditions set out in this Scheme Document
“Record Date”	Friday, 30 May 2025, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme and the Option Holders under the Option Offer
“Registered Owner(s)”	any person(s) (including, without limitation, a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of Shares
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 7 January 2024, being that date that falls six months prior to the date of the Rule 3.7 Announcement, and ending on the Latest Practicable Date
“Rollover Arrangement”	the arrangement between the Offeror and Best Approach under the Irrevocable Undertaking as described in the section headed “9. Special deal in relation to the Rollover Arrangement” in Part VII — Explanatory Memorandum of this Scheme Document
“Rollover Conditions”	the conditions of the Rollover Arrangement, as set out in the section headed “9. Special deal in relation to the Rollover Arrangement — Rollover Conditions” in Part VII — Explanatory Memorandum of this Scheme Document
“Rollover Shares”	the 176,388,620 Shares held by Best Approach which is subject to the Rollover Arrangement, representing approximately 7.22% of the total issued share capital of the Company as at the Latest Practicable Date
“Rule 3.7 Announcement”	the announcement pursuant to Rule 3.7 of the Takeovers Code made by each of the Offeror and the Company dated 7 July 2024

“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under section 86 of the Companies Act involving, among other things, the cancellation of all the Scheme Shares in exchange for the Cancellation Price, with or subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court, details of which are set out in Appendix IV to this Scheme Document
“Scheme Document”	this composite scheme document jointly issued by the Company and the Offeror to the Shareholders containing, among other things, further details of the Proposal and the Scheme, a letter from the Board, a letter of advice from the Independent Financial Adviser, the recommendations of the Independent Board Committee, notices convening the EGM and the Court Meeting together with forms of proxy in relation thereto, a form of the letter to the Optionholder and a form of acceptance for the Option Offer
“Scheme Share(s)”	all of the Share(s) in issue and such further Share(s) as may be issued prior to the Record Date, other than (i) those which are held or beneficially owned by the Offeror; and (ii) the Rollover Shares
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Industrial”	Shanghai Industrial Holdings Limited (Stock Code: 363), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Shanghai Keda”	Shanghai Keda Chuangjia Environmental Protection Co., Ltd.* (上海科達創佳環保有限公司), a subsidiary wholly-owned by Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司) that holds the Land in respect of the Land Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Award(s)”	the share award(s) granted or to be granted under the Share Award Scheme from time to time
“Share Award Scheme”	the share award scheme adopted by the Company on 3 May 2019

“Share Award Trustee”	Bank of Communications Trustee Limited, a company incorporated in Hong Kong with limited liability, which holds Shares for the benefit of grantees of the Share Award Scheme
“Share Option(s)”	the vested and unvested, share option(s), each relating to one Share, granted under the Share Option Scheme from time to time
“Share Option Scheme”	the share option scheme adopted by the Company on 7 December 2014 and subsequently expired on 6 December 2024
“Shareholder(s)”	registered holder(s) of the Shares
“Smart Parking Disposal”	the disposal of all the equity interest of Canvest Technology to Best Approach (or its affiliates)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“True Victor”	True Victor Holdings Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Shanghai Industrial, and a Shareholder
“Trustee Held Pool Share(s)”	the Share(s) held by the Share Award Trustee that are unutilised under the Share Award Scheme
“Undertaking”	the undertaking dated 22 July 2024 executed by Best Approach in favour of the Offeror in relation to the Pledged Shares
“US”	the United States of America
“Valuation Reports”	the text of the valuation reports in respect of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal prepared by the respective independent valuers as set out in Appendix II to this Scheme Document
“VISTA Co”	Harvest Vista Company Limited, a company incorporated in the BVI, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust, the discretionary beneficiaries of which include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members)
“Yuezhan Environmental”	Canvest Yuezhan Environmental Management (Guangdong) Company Limited* (粵豐粵展環境管理(廣東)有限公司), an indirect wholly-owned subsidiary of the Company

“Yuezhan Environmental Disposal”	the transfer of all of the equity interest and debts held by the Group in Yuezhan Environmental to an independent third party who is not a Shareholder
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“%”	per cent.
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All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Wednesday, 7 May 2025 to Monday, 12 May 2025 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the EGM and/or the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 6 May 2025. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the EGM and/or the Court Meeting.

A **WHITE** form of proxy for use at the EGM and a **PINK** form of proxy for use at the Court Meeting are enclosed with this Scheme Document.

Whether or not you are able to attend any of the Meetings or any adjournment or postponement thereof in person, if you are a Shareholder, you are strongly urged to complete and sign the enclosed **WHITE** form of proxy in respect of the EGM, and if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting, in accordance with the instructions printed thereon, and to deposit them at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **WHITE** form of proxy for use at the EGM must be lodged no later than 2:30 p.m. on Saturday, 10 May 2025, failing which it will not be valid; and
- the **PINK** form of proxy for use at the Court Meeting should be lodged no later than 3:00 p.m. on Saturday, 10 May 2025 but if it is not so lodged, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

The completion and return of a form of proxy for the EGM and/or the Court Meeting will not preclude you from attending and voting in person at the relevant Meeting. In such event, the returned form of proxy will be revoked by operation of law.

Voting at the EGM and the Court Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

If you do not appoint a proxy and you do not attend and vote at the EGM and/or the Court Meeting, you will still be bound by the outcome of the EGM and the Court Meeting. You are therefore strongly urged to attend and vote at the EGM and/or the Court Meeting in person or by proxy.

The Company and the Offeror will make an announcement in relation to the results of the EGM and the Court Meeting on Monday, 12 May 2025 by no later than 7:00 p.m. If all of the resolutions are passed at those Meetings, further announcement(s) will be made in relation to, among other things, the outcome of the Court Hearing and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange, in accordance with the requirements of the Takeovers Code and the Listing Rules.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST

The Company will not recognise any person as holding any Shares on trust.

If you are a Beneficial Owner whose Share(s) are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and give instructions to and/or to make arrangements with the Registered Owner as to the manner in which the Share(s) beneficially owned by you should be voted at the EGM and/or the Court Meeting.

If you are a Beneficial Owner who wishes to attend and vote at the EGM and/or the Court Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the EGM and/or the Court Meeting and, for such purpose, the Registered Owner may appoint you as his/her/its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name and become a Registered Owner as at the Meeting Record Date, if you wish to vote (in person or by proxy) at the EGM and/or the Court Meeting.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the EGM and/or the Court Meeting or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the EGM and/or the Court Meeting, or as applicable, the latest time for lodging transfer of Shares, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the relevant EGM and/or the Court Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the EGM and/or the Court Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment or postponement thereof should he/she/it so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Share(s) are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such Other CCASS Participants if you wish to vote at the EGM and/or the Court Meeting. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the EGM and/or the Court Meeting, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the EGM and/or the Court Meeting; or
- (b) become a Registered Owner as at the Meeting Record Date and thereby have the right to attend and vote at the EGM and/or the Court Meeting (as appropriate) by withdrawing some or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s). For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the EGM and/or the Court Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name prior to the Meeting Record Date.

The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

ACTIONS TO BE TAKEN BY OPTIONHOLDER

The Option Offer Letter is being sent to the Optionholder, together with this Scheme Document and a Form of Acceptance. If you are an Optionholder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance to the Company at 28/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong by no later than 4:30 p.m. on Friday, 30 May 2025 (or such later date and time as may be notified to you by the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Share Options or any other document will be given. Under the Option Offer, the Offeror is offering the Optionholder the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each Share Option.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VII to this Scheme Document.

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the EGM and/or the Court Meeting.

If you are a Registered Owner holding Share(s) on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you keep any Share(s) in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Share(s) are deposited in CCASS, you are strongly encouraged to provide your broker, custodian, nominee or other relevant person without delay with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Share(s) should be voted at the EGM and/or at the Court Meeting, and/or withdraw some or all of your Share(s) from CCASS and become a Registered Owner of such Shares as at the Meeting Record Date and exercise your right to vote (in person or by proxy) at the EGM and/or the Court Meeting.

If you are in any doubt as to the action to be taken, you are encouraged to consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

PETITION HEARING IN THE GRAND COURT

The Court Hearing is listed to be heard on 20 May 2025 at 9:30 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who subsequently voted at the Court Meeting shall have the right to attend, or appear by counsel, and be heard at the Court Hearing, at which the Company will seek the sanction of the Scheme.

The expected timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company by way of announcement(s) as soon as possible. Unless otherwise expressly stated, all references to dates and times contained in this Scheme Document refer to Hong Kong dates and times.

	Hong Kong time (unless otherwise specified)
Date of despatch of this Scheme Document	Thursday, 17 April 2025
Date of despatch of the Option Offer Letter for the Option Offer	Thursday, 17 April 2025
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the EGM and/or the Court Meeting	4:30 p.m. on Tuesday, 6 May 2025
Register of members of the Company closed for determining entitlements of the Shareholders to attend and vote at the EGM and entitlements of the Scheme Shareholders to attend and vote at the Court Meeting (<i>Note 1</i>)	Wednesday, 7 May 2025 to Monday, 12 May 2025 (both days inclusive)
Latest time for lodging WHITE forms of proxy in respect of EGM (<i>Note 2</i>)	2:30 p.m. on Saturday, 10 May 2025
Latest time for lodging PINK forms of proxy in respect of Court Meeting (<i>Note 2</i>)	3:00 p.m. on Saturday, 10 May 2025 (or alternatively be handed directly to the chairman of the Court Meeting at the Court Meeting)
Meeting Record Date	Monday, 12 May 2025
EGM (<i>Notes 3 and 9</i>)	2:30 p.m. on Monday, 12 May 2025
Court Meeting (<i>Notes 3 and 9</i>)	3:00 p.m. on Monday, 12 May 2025 (or if later, as soon as practicable after the conclusion or adjournment of the EGM)
Announcement of the results of the EGM and the Court Meeting	no later than 7:00 p.m. on Monday, 12 May 2025

	Hong Kong time (unless otherwise specified)
Expected last time for trading in the Shares on the Stock Exchange	Wednesday, 14 May 2025
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Tuesday, 20 May 2025
Court Hearing	Tuesday, 20 May 2025 (Cayman Islands time)
Register of members of the Company closed for determining entitlements of the Scheme Shareholders under the Scheme (<i>Note 4</i>)	from Wednesday, 21 May 2025 onwards
Announcement of the result of the Court Hearing the expected Effective Date, and the expected date of withdrawal of the listing of the Shares on the Stock Exchange	no later than 8:30 a.m. on Wednesday, 21 May 2025
Latest time and date for lodging the Form of Acceptance in relation to the Option Offer (<i>Note 5</i>)	4:30 p.m. on Friday, 30 May 2025
Record Date	Friday, 30 May 2025
Effective Date (<i>Note 6</i>)	Friday, 30 May 2025 (Cayman Islands time)
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange	no later than 8:30 a.m. on Monday, 2 June 2025
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective (<i>Note 7</i>)	4:00 p.m. on Monday, 2 June 2025
Latest time for posting for remittances for the amounts due under the Scheme, and for acceptance under the Option Offer in respect of the Share Options that have not lapsed as at the Record Date but in respect of which the underlying Shares have not been registered in the name of the relevant holder (or its nominee) as at the Record Date (<i>Notes 8 and 10</i>)	on or before Tuesday, 10 June 2025

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the Scheme Shareholders to attend and vote at the Court Meeting. This book closure period is not for determining the entitlements under the Scheme.
2. Forms of proxy should be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated above. If the **WHITE** form of proxy is not lodged at least 48 hours before the time appointed for the EGM or any adjournment or postponement thereof, it will not be valid. In the case of the **PINK** form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Shareholder from attending and voting at the relevant Meeting or any adjournment or postponement thereof in person. In such event, the relevant form of proxy will be revoked by operation of law.
3. The EGM and the Court Meeting will be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong at the times and dates specified above. Please refer to the notice of EGM set out in Appendix V of this Scheme Document and the notice of Court Meeting set out in Appendix VI of this Scheme Document for details.
4. The register of members of the Company will be closed as from such time and on such date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme.
5. Forms of Acceptance, duly completed in accordance with the instructions on them, must be lodged with the Company at 28/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong, by no later than 4:30 p.m. on Friday, 30 May 2025 (or such later date and time as may be notified to you by the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).
6. The Scheme will become effective upon the fulfilment or waiver (as applicable) of all of the Conditions to the Proposal as set out in the section headed "4. Conditions of the Proposal and the Scheme" in Part VII — Explanatory Memorandum of this Scheme Document.
7. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Monday, 2 June 2025.
8. Cheques for payment of the Cancellation Price to the Scheme Shareholders will be despatched as soon as possible but in any event no later than seven business days (as defined in the Takeovers Code) of the Effective Date by ordinary post in postage pre-paid envelopes addressed to the person(s) entitled thereto at their respective addresses as appearing on the register of members of the Company as at the Record Date or, in the case of joint holders, at the address appearing on the register of members of the Company as at the Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. Payments in respect of the Option Offer Price will be made to the Company as the agent of the Optionholder, by cheque(s), or at the election of the Offeror, by wire transfer within seven business days (as defined in the Takeovers Code) of the Effective Date. The Company will make payments in respect of the Option Offer Price to the Optionholder by wire transfer.
9. If any severe weather condition is in force in Hong Kong at any time after 9:00 a.m. on the date of the EGM and the Court Meeting, the EGM and the Court Meeting will be adjourned or postponed. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the date, time and venue of the rescheduled meetings.

10. If any severe weather condition is in force in Hong Kong: (a) at any time before 12:00 noon but no longer in force at or after 12:00 noon on the latest date to despatch cheques for the payment of the Cancellation Price under the Scheme and/or the Option Offer Price under the Option Offer, the latest date to despatch cheques will remain on the same Business Day; or (b) at any time at or after 12:00 noon on the latest date to despatch cheques for the payment of the Cancellation Price under the Scheme and/or the Option Offer Price under the Option Offer, the latest date to despatch cheques will be rescheduled to the following Business Day which does not have any of those warnings in force at 12:00 noon and/or thereafter (or another Business Day thereafter that does not have any severe weather condition at 12:00 noon or thereafter).

For the purpose of this Scheme Document, “severe weather” refers to the scenario where a tropical cyclone warning signal number 8 or above is hoisted, a black rainstorm warning and/or the “Extreme Conditions” warning as announced by the Hong Kong Government is/are in force in Hong Kong. Further announcement(s) will be made if there is any change to the expected timetable as a result of any severe weather.

If you are in doubt as to any aspect of this Scheme Document, the Proposal or as to the actions to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Scheme Document and the accompanying Proxy Forms to the purchaser or the transferee (or to the licensed securities dealer or other registered institution in securities or agent, through whom the sale or transfer was effected, for transmission to the purchaser or the transferee).



CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

Executive Directors:

Ms. LEE Wing Yee Loretta (*Chairlady*)
Mr. LAI Kin Man
Mr. YUAN Guozhen
Mr. LAI Chun Tung

Non-executive Director:

Mr. FENG Jun

Independent non-executive Directors:

Professor SHA Zhenquan
Mr. CHAN Kam Kwan Jason
Mr. CHUNG Kwok Nam
Mr. LEE Tsung Wah Jonathan

Registered office:

PO Box 309 Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business

in Hong Kong:
28/F No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

17 April 2025

To the Shareholders and the Optionholder

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT**

**(UNDER SECTION 86 OF THE COMPANIES ACT OF
THE CAYMAN ISLANDS)**

(2) OPTION OFFER

**(3) CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION TO
THE LAND DISPOSAL, SMART PARKING DISPOSAL AND
OFFICE BUILDING DISPOSAL**

(4) SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT

**(5) SPECIAL DEAL IN RELATION TO AMENDMENTS TO EXCHANGEABLE
BONDS TERMS AND CONDITIONS**

(6) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY

1. INTRODUCTION

Reference is made to the Announcement jointly issued by the Offeror and the Company in relation to the Proposal. On 22 July 2024 (after trading hours), the Offeror requested, subject to the satisfaction of the Pre-Conditions, the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme under section 86 of the Companies Act.

As disclosed in the announcement dated 17 March 2025 jointly published by the Offeror and the Company, all of the Pre-Conditions have been satisfied on 17 March 2025.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the special deals in relation to the Land Disposal, Smart Parking Disposal, Office Building Disposal, the Rollover Arrangement and the EB Amendments and to give notices of the EGM and the Court Meeting. Your attention is drawn to the following sections of this Scheme Document: (i) the letter from the Independent Board Committee; (ii) the letter from the Independent Financial Adviser; (iii) the Valuation Reports; (iv) the Explanatory Memorandum; (v) the notice of the EGM; (vi) the notice of the Court Meeting; and (vii) the Proxy Forms.

Particular attention of the Optionholder is also drawn to the Option Offer Letter and the form of acceptance for the Option Offer.

2. TERMS OF THE PROPOSAL

The Scheme

Under the Proposal, upon the fulfilment or waiver (as applicable) of the Conditions,

- (i) on the Effective Date, all the Scheme Shares will be cancelled in consideration for the Cancellation Price (less the Dividend Adjustment (if any)) payable in cash by the Offeror;
- (ii) contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange with effect immediately after the Effective Date pursuant to Rule 6.15 of the Listing Rules; and
- (iv) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place forthwith following the Effective Date.

Under the Scheme, as consideration for the cancellation of the Scheme Shares, the Offeror shall pay the Cancellation Price of HK\$4.90 (less the Dividend Adjustment (if any)) in cash to the Scheme Shareholders for each Scheme Share held as at the Record Date.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

Comparison of value

Your attention is drawn to: (i) the paragraph headed “3. Terms of the Proposal — Comparison of value” in the Explanatory Memorandum for a comparison of the Cancellation Price with the recent market prices and the audited consolidated net asset value attributable to Shareholders per Share; and (ii) the paragraph headed “3 Terms of the Proposal — Highest and Lowest prices” in the Explanatory Memorandum for the highest and lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period.

Dividend payment by the Company

The Shareholders approved the final dividend of HK3.2 cents per Share for the year ended 31 December 2023 at the annual general meeting of the Company held on 21 June 2024 which was paid on 31 July 2024 to Shareholders whose names appear on the register of members of the Company on 28 June 2024.

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses or is withdrawn (as the case may be).

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive (“**Dividend Adjustment**”), in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

The Share Award Scheme

As at the Latest Practicable Date, (i) there were an aggregate of 10,100,000 Trustee Held Pool Shares held by the Share Award Trustee, which are unutilised under the Share Award Scheme; and (ii) no Share Award was granted or vested under the Share Award Scheme.

All of the Trustee Held Pool Shares which are still held by the Share Award Trustee as of the Record Date shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay to the Share Award Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Pool Shares, which shall be paid by the Share Award Trustee to the Company after the Share Award Trustee receives such amount from the Offeror under the Scheme and upon the termination of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Share Award Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust. Accordingly, all of the Trustee Held Pool Shares will not be voted at the EGM and the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

During the Offer Period, the Company did not grant, does not intend to and will not grant any Share Awards and therefore the Share Award Trustee did not and will not further acquire Shares on market for the purpose of making grants under the Share Award Scheme.

The Option Offer

As at the Latest Practicable Date, there were 250,000 outstanding Share Options granted under the Share Option Scheme, each relating to one Share with an exercise price of HK\$4.39, which are held by Ms. Loretta Lee, an executive Director.

The Offeror is required to make (or procure to be made on its behalf) an appropriate offer to the Optionholder to cancel every outstanding Share Option, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has irrevocably undertaken to the Offeror, among other things, that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of such Share Options held by her.

Under the Option Offer, the Offeror is offering holders of the outstanding Share Options the Option Offer Price which represents the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each outstanding Share Option they hold for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code.

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to Optionholder and is substantially in the form set out in “Appendix VII Form of Option Offer Letter” to this Scheme Document.

Save for the 2,441,541,169 Shares in issue and the 250,000 Share Options, the Company has no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in issue.

3. CONFIRMATION OF FINANCIAL RESOURCES

On the assumption that (i) no further Shares will be issued before the Record Date; and (ii) taking into account Ms. Loretta Lee will not exercise her Share Options and will accept the Option Offer, the amount of cash required to implement the Proposal and the Option Offer would be approximately HK\$11,099,247,490.10 and HK\$127,500, respectively, and the total amount of cash required is HK\$11,099,374,990.10.

However, it has been agreed among the parties pursuant to the Irrevocable Undertaking that the Offeror may retain the Core Deferred Cancellation Price until no earlier than the date falling five years after the Effective Date and that Best Approach, Ms. Loretta Lee and Mr. KM Lai: (a) shall accept all credit risks associated with any delay in payment of such Core Deferred Cancellation Price; and (b) have agreed that, subject to applicable laws, the Core Deferred Cancellation Price does not need to be covered by the financial resources confirmation of the exclusive financial adviser to the Offeror. Accordingly, the Core Deferred Cancellation Price will not be factored in, and the amount of cash required to implement the Proposal on the Effective Date is HK\$10,882,854,474.78.

As further disclosed in the section headed “2. Pre-Conditions to the making of the Proposal — Capital injection in Grandblue Foshan” in Part VII — Explanatory Memorandum of this Scheme Document, Grandblue Foshan intends to provide all cash raised during the Capital Injection and the Onshore Loan Facilities to the Offeror, and the Offeror intends to use such cash to finance the cancellation of the Scheme Shares and the Option Offer. In any event, if the cash raised from the Capital Injection and the Onshore Loan Facilities is for any reason insufficient to finance the cash required for the cancellation of the Scheme Shares and the Option Offer (or if for any other reason, the Onshore Loan Facilities do not complete or capital raised through the Capital Injection or the Onshore Loan Facilities could not be applied to finance the cancellation of the Scheme Shares and the Option Offer), the Offeror shall finance the cash required for the cancellation of the Scheme Shares and the Option Offer from drawing down from term loan facilities of an amount up to HK\$4,700,000,000 and HK\$6,300,000,000 provided by China Merchants Bank Co., LTD., (London Branch) and China CITIC Bank International Limited, respectively (the “**Offshore Term Loan Facilities**”).

CITIC Securities, the exclusive financial adviser to the Offeror, is satisfied that regardless of whether cash from the Capital Injection and Onshore Loan Facilities are applied to finance the cancellation of the Scheme Shares and Option Offer, the Offshore Term Loan Facilities are in aggregate sufficient, and therefore sufficient financial resources are available, to the Offeror for discharging its obligations in respect of the full implementation of the Scheme (save for the above in relation to the Core Deferred Cancellation Price) and the Option Offer in accordance with their respective terms.

4. PRE-CONDITIONS TO THE MAKING OF THE PROPOSAL

The making of the Proposal and completion of the Scheme is conditional upon the following Pre-Conditions having been satisfied:

- (i) the Yuezhan Environmental Disposal, including (a) the completion of the payment of consideration and the completion of the registration procedures of the equity transfer, having been completed within three months from the date of the Announcement; (b) the Group does not record loss from the Yuezhan Environmental Disposal; and (c) there is no debtor and creditor relationship between the Group and Yuezhan Environment and the Group does not assume any responsibility for the debt of Yuezhan Environment. For the avoidance of doubt, the Yuezhan Environmental Disposal will be disposed of to a person who is not a shareholder (nor an associate of the shareholder) of the Company and hence the Yuezhan Environmental Disposal does not constitute a special deal;
- (ii) all necessary internal decision-making procedures and approval and filing procedures in respect of the transactions contemplated under the Proposal having been completed by Grandblue Environment, including (a) the approval of the board of directors of Grandblue Environment; and (b) the approval at the general meeting of the shareholders of Grandblue Environment;
- (iii) the completion of the Capital Injection in the aggregate amount of RMB4.6 billion into Grandblue Foshan;
- (iv) the Group having signed written agreements and/or obtained written preliminary or in-principle confirmation from the relevant financial institutions, guarantors and other entities (if applicable) to resolve the following guarantee issues:
 - (a) guarantee provided by Loyal Step Limited (步忠有限公司) (“**Loyal Step**”) (an indirect wholly-owned subsidiary of the Company), which exceeds the proportion of its shareholding in Huizhou Zhongzhou Environmental Protection Resources Co., Ltd.* (惠州市中洲環保資源有限公司) (an associate of the Group and is owned as to 40% by Loyal Step and 60% by Independent Third Parties); and
 - (b) guarantee provided by any other member of the Group (if any) which exceeds the proportion of its shareholding as set out in the financial statements of the Company as at 30 June 2024 or any other financial statements to be agreed in writing between the Offeror and the Company,

and such written agreements and/or written preliminary or in-principle confirmation having effectively confirmed that the Group will assume limited guarantee liability for the relevant non-consolidated subsidiaries within the proportion of their respective shareholding;

- (v) with respect to the applicable outbound direct investment laws and regulations, all relevant Approvals, registrations, filings, reports (as the case may be), have been obtained from, completed with and/or made to (as the case may be): (a) the Ministry of Commerce of the PRC; (b) the National Development and Reform Commission of the PRC; and (c) the State Administration of Foreign Exchange of the PRC, or the respective local authorities or delegates or institutions authorised by each of (a) to (c); and
- (vi) the completion of the declaration of the concentration of undertakings in China pursuant to the PRC Anti-monopoly Law (which requires merger filing where (1) a transaction constitutes a concentration of undertakings; and (2) the turnover of the undertakings participating in the concentration meets the threshold set out under the PRC Anti-monopoly Law) and obtaining the approval from the State Administration for Market Regulation of the PRC.

As disclosed in the announcement dated 17 March 2025 jointly published by the Offeror and the Company, all of the Pre-Conditions have been satisfied on 17 March 2025.

5. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following:

- (1) (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; and
- (b) the approval of the Scheme (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;
- (2) the passing of:
 - (a) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and
 - (b) an ordinary resolution by a simple majority of the votes casts by the Shareholders present and voting in person or by proxy at the EGM to contemporaneously maintain the issued share capital of the Company at the

amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit arising in the Company's books of accounts as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares for issuance to the Offeror;

- (3) the sanction of the Scheme (with or without modifications) by the Grand Court and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (4) all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with, including all necessary internal decision-making procedures and approval and filing procedures with the competent governmental and/or regulatory authorities in respect of the transactions contemplated under the Proposal having been completed by Best Approach and the Offeror, including (i) the approval of the board of directors of Best Approach; (ii) the approval of the board of directors of the Offeror; and (iii) the approval of the shareholder of the Offeror, and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (5) (i) the receipt by the Company of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (6) (i) the receipt by the Company of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Land Disposal, Smart Parking Disposal and Office Building Disposal are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal, Smart Parking Disposal and Office Building Disposal; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Land Disposal, Smart Parking Disposal and Office Building Disposal;

- (7) all necessary consents in connection with the Proposal and the Scheme which may be required under any existing contractual obligations of any member of the Group being obtained or waived by the relevant party(ies) and remaining in effect (if applicable), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (8) all necessary consents in connection with the Proposal and the Scheme which may be required under any existing contractual obligations of any member of the Group, including all necessary consents of the Relevant Authorities on the change of shareholders from the project companies of the Company, being obtained and remained in effect or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (9) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), or adverse change in the government policies which may have a material adverse effect on the Group's business, from the date of the Announcement up to the date when all the Conditions are satisfied or validly waived (as applicable), other than such actions, proceedings, suits or investigations as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (10) from the date of the Announcement up to the date when all the Conditions are satisfied or validly waived (as applicable), there being no adverse change in the business, assets, financial or trading positions or profits of any member of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal or the Scheme) as a consequence of the implementation of the Proposal or the Scheme could or might reasonably result in;
- (11) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed in the relevant jurisdictions in respect of the whole or any substantial part of the assets and undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole;
- (12) save as publicly announced prior to the date of the Announcement, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the

Group is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be instituted or remain outstanding by, against or in respect of any such member, in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal; and

- (13) all warranties and representations provided by Best Approach under the Irrevocable Undertaking remaining true, accurate and not misleading in all material respects to the extent that it would not cause material and adverse in the context of the Group taken as a whole or in the context of the Proposal and there having been no material breach of any undertakings, terms and conditions therein which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

The Offeror reserves the right to waive Conditions (6) to (13) either in whole or in part, either generally or in respect of any particular matter. Conditions (1) to (5) cannot be waived in any event. The Company does not have the right to waive any of the Conditions.

For the avoidance of doubt, if Condition (6) is not fulfilled, the Land Disposal, Smart Parking Disposal and Office Building Disposal will not proceed. Shanghai Keda (which is the subsidiary to be disposed of in connection with the Land Disposal), Canvest Technology (which is the subsidiary to be disposed of in connection with the Smart Parking Disposal) and KK VII (BVI) Limited and KK VIII (BVI) Limited (which are the subsidiaries to be disposed of in connection with the Office Building Disposal) will not be disposed to Best Approach (the buyer of each of the Land Disposal, Smart Parking Disposal and Office Building Disposal) and each of Shanghai Keda, Canvest Technology and KK VII (BVI) Limited and KK VIII (BVI) Limited will remain as indirect wholly-owned subsidiaries of the Company.

In respect of Condition (4), the Company and/or the Offeror is not aware of any necessary statutory or regulatory obligations as well as internal decision making procedure other than (i) the approval of the board of directors of Best Approach; (ii) the approval of the board of directors of the Offeror; and (iii) the approval of the shareholder of the Offeror as disclosed above.

In respect of Condition (7), the Company and/or the Offeror is not aware of any such consents other than those from certain facility agreements entered into by the Group as at the Latest Practicable Date.

In respect of Condition (8) above, save for the necessary internal decision-making procedures and approval and filing procedures with the competent governmental and/or regulatory authorities and consents of the Relevant Authorities on the change of shareholders from the project companies of the Company as disclosed above, the Company and/or the Offeror is not aware of any other consents required under any existing contractual obligations of any member of the Group as at the Latest Practicable Date.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

As at the Latest Practicable Date, other than Condition 4, none of the Conditions has been satisfied.

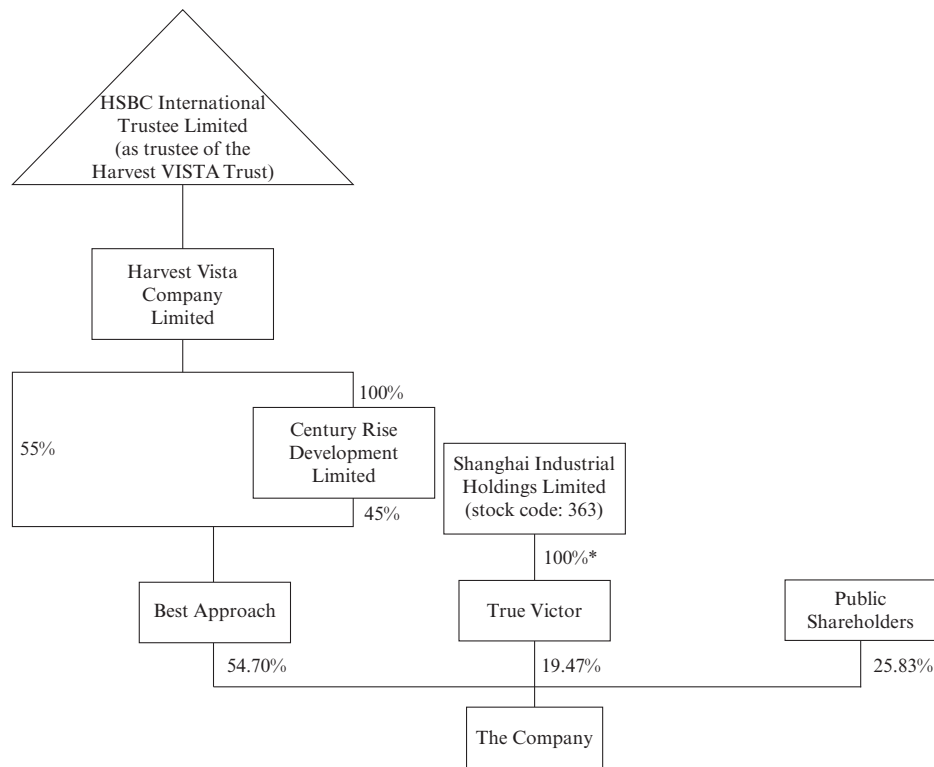
WARNINGS

Shareholders, Optionholder and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

Shareholding structure of the Company as at the Latest Practicable Date

The chart below shows a simplified shareholding structure of the Company as at the Latest Practicable Date:



Notes:

- (1) *True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial.
- (2) True Victor does not have any relationship with the Offeror.
- (3) Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor) as set out in the announcement of Shanghai Industrial dated 5 October 2023, there is no relationship between Best Approach and True Victor.

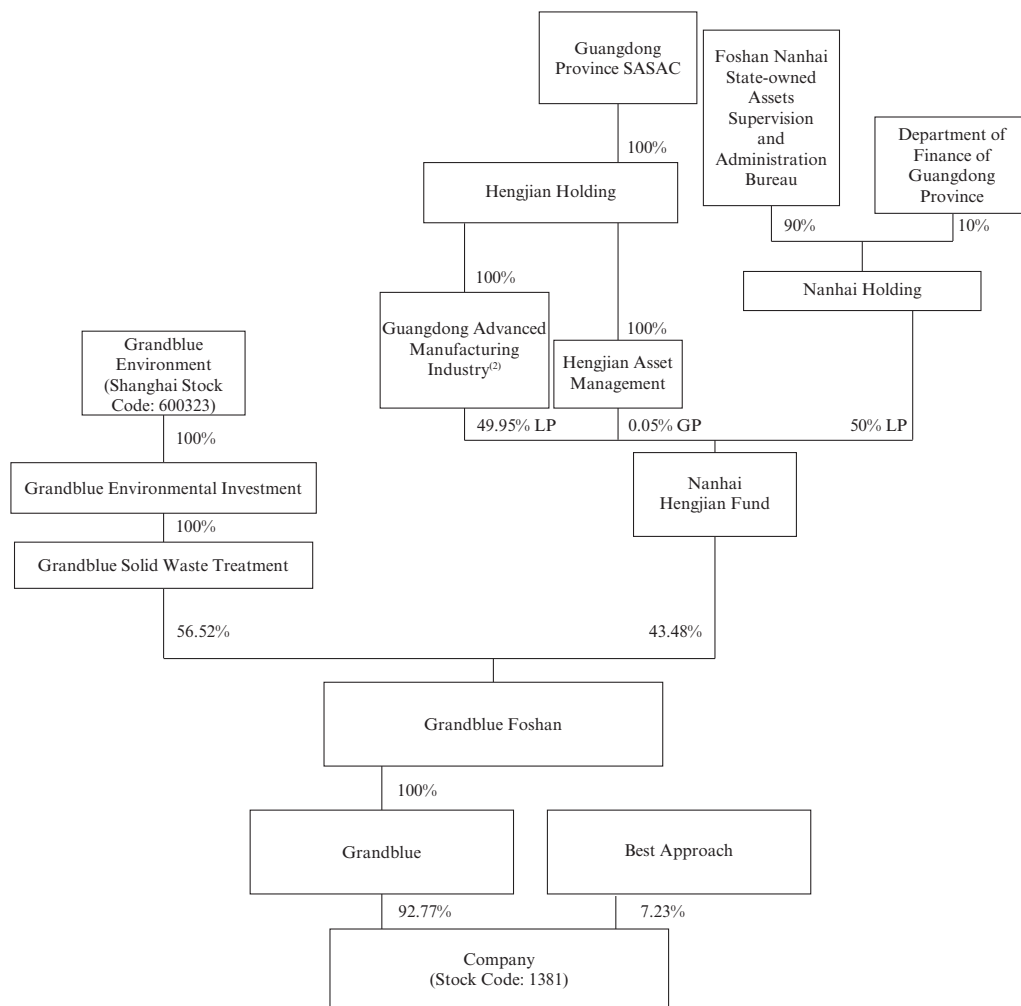
As at the Latest Practicable Date,

- (i) the authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 Shares, and the Company has 2,441,541,169 Shares in issue;
- (ii) the Offeror does not hold any Shares;
- (iii) Best Approach holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company, of which 370,668,722 Shares held by Best Approach, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial. Shanghai Industrial has agreed that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting. 1,159,227,217 of the 1,335,615,837 Shares held by Best Approach, representing approximately 47.48% of the total issued share capital of the Company constitute the Scheme Shares, and the remaining 176,388,620 Shares held by Best Approach, representing approximately 7.22% of the total issued share capital of the Company are Rollover Shares and will not form part of the Scheme Shares. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members);
- (iv) Ms. Loretta Lee holds 1,376,000 Shares, representing approximately 0.06% of the total issued share capital of the Company, and 250,000 Share Options. Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her;
- (v) Mr. CT Lai, an executive Director, holds 250,000 Shares, representing approximately 0.01% of the total issued share capital of the Company;
- (vi) Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse, representing approximately 0.41% of the total issued share capital of the Company;
- (vii) Mr. Yuan Guozhen, an executive Director, holds 250,000 Shares and is deemed to be interested in 357,000 Shares held by his spouse, representing approximately 0.02% of the total issued share capital of the Company;

- (viii) Professor Sha Zhenquan, an independent non-executive Director, holds 100,000 Shares, representing approximately 0.004% of the total issued share capital of the Company;
- (ix) Mr. Chung Kwok Nam, an independent non-executive Director, holds 80,000 Shares, representing approximately 0.003% of the total issued share capital of the Company;
- (x) True Victor holds 475,251,000 Shares, representing approximately 19.47% of the total issued share capital of the Company. True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial. True Victor does not have any relationship with the Offeror. Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor) as set out in the announcement of Shanghai Industrial dated 5 October 2023, there is no relationship between Best Approach and True Victor; and
- (xi) the remaining 618,261,332 Shares together with the 1,159,227,217 Shares held by Best Approach, the 1,376,000 Shares held by Ms. Loretta Lee, the 250,000 Shares held by Mr. CT Lai, the 10,000,000 Shares which Mr. KM Lai is deemed to be interested in, the 250,000 Shares held by and the 357,000 Shares which Mr. Yuan Guozhen is deemed to be interested in, the 100,000 Shares held by Professor Sha Zhenquan, the 80,000 Shares held by Mr. Chung Kwok Nam and the 475,251,000 Shares held by True Victor, representing approximately 92.77% of the total issued share capital of the Company, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Shareholding structure of the Company upon completion of the Proposal

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the chart below shows a simplified shareholding structure of the Company immediately upon the Scheme becoming effective.



Notes:

- (1) The percentage figures included in the shareholding structure have been subject to rounding adjustments.
- (2) Guangdong Advanced Manufacturing Industry is an indirect wholly-owned fund of Hengjian Holding.

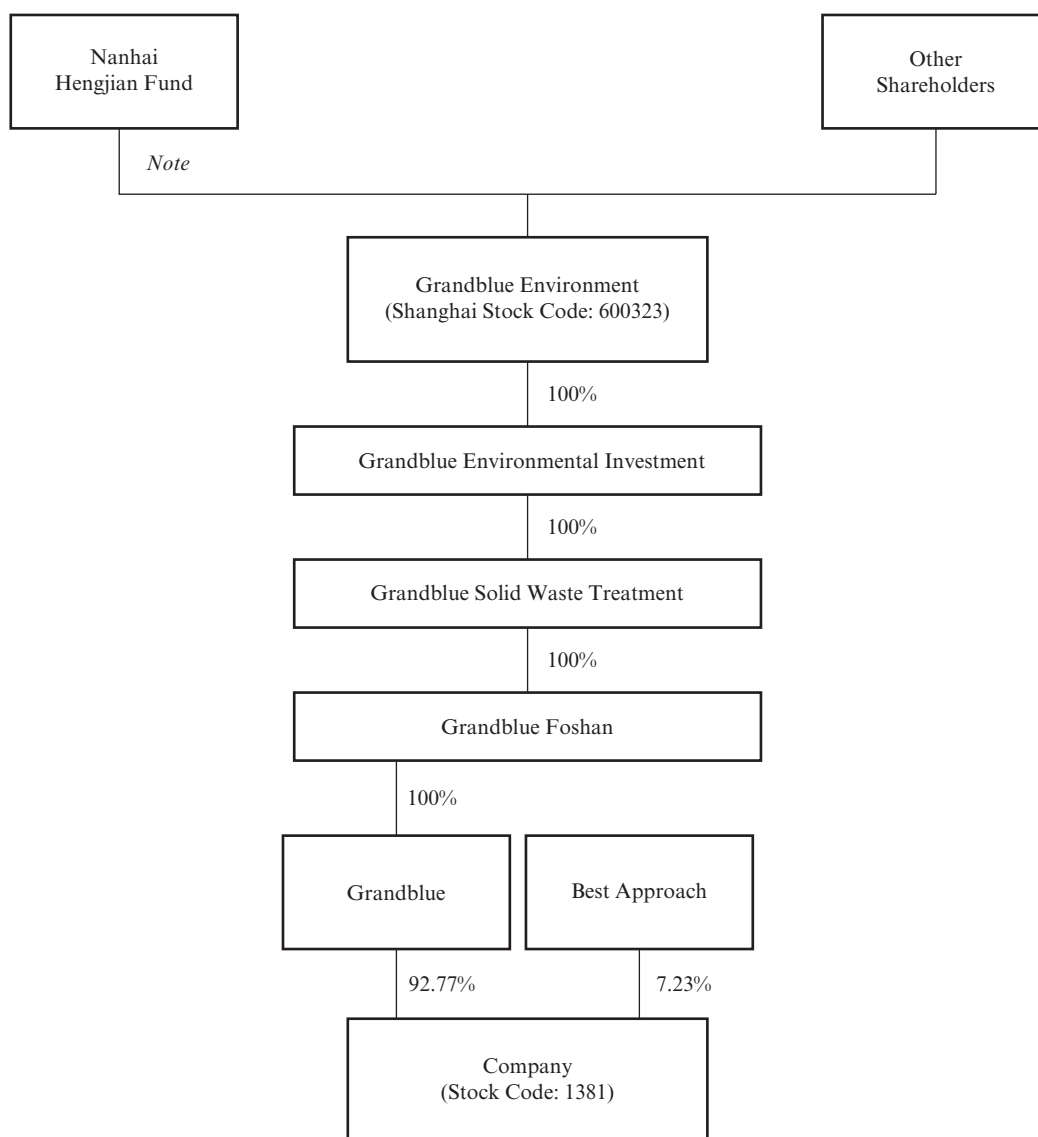
Issue of Grandblue Environment Shares

After the completion of the Proposal, subject to the fulfilment of the requirements under the PRC laws and regulations and the obtaining of the necessary approvals from the Relevant Authorities in the PRC and Grandblue Environment Shareholders, it is expected that Grandblue Environment/Grandblue Solid Waste Treatment, an indirect wholly-owned subsidiary of Grandblue Environment, will acquire all the equity interest that Nanhai Hengjian Fund holds in Grandblue Foshan at the consideration of (a) Grandblue Environment Shares to be issued by Grandblue Environment to Nanhai

Hengjian Fund (“**Issue of Grandblue Environment Shares**”); (b) cash; or (c) any other manner to be agreed by Nanhai Hengjian Fund and Grandblue Environment, at the option of Nanhai Hengjian Fund.

Shareholding structure of the Company upon completion of the Proposal and Issue of Grandblue Environment Shares

On the assumption there is no other change in shareholding of the Company before completion of the Proposal, the chart below shows a simplified shareholding structure of the Company immediately upon the Scheme becoming effective and the completion of the Issue of Grandblue Environment Shares:



Notes:

- (1) The percentage of shareholding in Grandblue Environment to be held by Nanhai Hengjian Fund will be subject to the approval by the Relevant Authorities in the PRC and the shareholders of Grandblue Environment.
- (2) The percentage figures included in the shareholding structure have been subject to rounding adjustments.

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective.

Shareholders	As at the Latest Practicable Date		Upon the Scheme becoming effective	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Offeror and Offeror Concert Parties				
Offeror				
Grandblue	—	—	2,265,152,549	92.77
Offeror Concert Parties				
<i>Shares held not subject to the Scheme</i>				
Best Approach ⁽¹⁾	176,388,620	7.22	176,388,620	7.23
<i>Shares held subject to the Scheme</i>				
Best Approach ⁽¹⁾	1,159,227,217	47.48	—	—
Ms. Loretta Lee ^(1,2)	1,376,000	0.06	—	—
Mr. CT Lai ^(2,4)	250,000	0.01	—	—
Mr. KM Lai ⁽³⁾	10,000,000	0.41	—	—
Subtotal	1,347,241,837	55.18	2,441,541,169	100.00
Other Directors				
Mr. Yuan Guozhen ^(5,6)	607,000	0.02	—	—
Professor Sha Zhenquan ⁽⁶⁾	100,000	0.004	—	—
Mr. Chung Kwok Nam ⁽⁶⁾	80,000	0.003	—	—
True Victor ⁽⁷⁾	475,251,000	19.47	—	—
Other Scheme Shareholders	618,261,332	25.32	—	—
Total number of Shares	2,441,541,169	100.00	2,441,541,169	100.00

Notes:

- (1) As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares, of which 370,668,722 Shares, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial. Shanghai Industrial has agreed that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary

beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

Best Approach is an Offeror Concert Party. As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares, among which, 1,159,227,217 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the remaining 176,388,620 Shares are Rollover Shares which will not form part of the Scheme Shares.

- (2) Ms. Loretta Lee, an executive Director, is an Offeror Concert Party. As at the Latest Practicable Date, Ms. Loretta Lee holds 250,000 Share Options. Mr. Lai Chun Tung is an executive Director and the spouse of Ms. Loretta Lee. Under the SFO, Ms. Loretta Lee is deemed to be interested in the same number of Shares in which Mr. Lai Chun Tung is interested. Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her.
- (3) Mr. KM Lai, an executive Director, is an Offeror Concert Party. Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse, representing approximately 0.41% of the total issued share capital of the Company.
- (4) Mr. CT Lai, an executive Director, is an Offeror Concert Party. Mr. CT Lai holds 250,000 Shares, representing approximately 0.01% of the total issued share capital of the Company.
- (5) Mr. Yuan Guozhen, an executive Director, holds 250,000 Share and is deemed to be interested in 357,000 Shares held by his spouse, representing approximately 0.01% of the total issued share capital of the Company.
- (6) None of these Directors is acting in concert with the Offeror.
- (7) True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial. True Victor does not have any relationship with the Offeror. Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor) as set out in the announcement of Shanghai Industrial dated 5 October 2023, there is no relationship between Best Approach and True Victor.
- (8) The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures.

By reason of being the financial adviser to the Offeror, CITIC Securities and persons controlling, controlled by or under the same control as CITIC Securities are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code (except for members of the CITIC Securities group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code). As at the Latest Practicable Date, members of the CITIC Securities group do not legally or beneficially own, control or have direction over any Shares (except in respect of the Shares held by members of the CITIC Securities group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code and also excluding the Shares held on behalf of non-discretionary investment clients).

7. SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT

The Offeror proposes to allow Best Approach to retain the 176,388,620 Rollover Shares, representing approximately 7.22% of the total issued share capital of the Company after the Scheme becomes effective. As at the Latest Practicable Date, Best Approach holds approximately 54.70% of the total issued share capital of the Company.

The Offeror is of the view that it is important for the Company to retain Best Approach as a Shareholder after the completion of the Scheme so that the Offeror can draw upon the experience and long-term involvement of Best Approach and its beneficial owners in the business and operations of the Company to ensure that the benefits of synergies and collaboration between the Offeror and the Company continue to be realised, which will enhance the competitiveness of the Offeror and the Company in the market and benefit the long-term sustainable development and growth of the Offeror and the Company.

The Rollover Arrangement will be terminated if (i) the Proposal and the Scheme do not become effective by the Long Stop Date; (ii) the Scheme is not sanctioned by the Grand Court; (iii) the requisite resolutions necessary to implement the Proposal are or any transaction disclosed in this Scheme Document that requires approval of the Shareholders is not approved at the EGM; (iv) Best Approach and the Offeror mutually agree to terminate the Irrevocable Undertaking in writing; or (v) the Proposal or Share Option Offer is withdrawn or lapses.

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement. Accordingly, as set out in Condition (5), the Proposal and the Scheme are subject to (i) the receipt by the Company of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the consent from the Executive in respect of the Rollover Arrangement.

The Independent Financial Adviser has stated in the letter from the Independent Financial Adviser that in its opinion, the Rollover Arrangement is fair and reasonable as far as the Independent Shareholders are concerned. If the Rollover Arrangement is not approved by the Independent Shareholders at the EGM, the Rollover Arrangement will not be implemented and the Scheme will not proceed.

Best Approach is considered to be acting in concert with the Offeror for the purpose of the Takeovers Code as a result of the Rollover Arrangement. Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee and those who are interested in or involved in the Rollover Arrangement will abstain from voting on the resolution to approve the Rollover Arrangement at the EGM.

8. CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION TO THE LAND DISPOSAL, SMART PARKING DISPOSAL AND OFFICE BUILDING DISPOSAL

(1) The Land Disposal

On 22 July 2024 (after trading hours), Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司) (an indirect wholly-owned subsidiary of the Company) (“**Canvest Kewei**”) entered into a sale and purchase agreement with Best Approach (“**Canvest Kewei S&P Agreement**”), pursuant to which Canvest Kewei conditionally agreed to sell, and Best Approach conditionally agreed to purchase, the entire equity interests in a subsidiary to be incorporated by Canvest Kewei (“**Canvest Kewei Subsidiary**”), which will hold the land use rights and structures on the Land for a total consideration of approximately RMB135.0 million. The Canvest Kewei Subsidiary, namely, Shanghai Keda, was incorporated on September 27, 2024 and is wholly-owned by Canvest Kewei.

The principal terms of the Canvest Kewei S&P Agreement are summarised as follows:

Date: 22 July 2024 (after trading hours)

Parties involved (i) Best Approach, as buyer

(ii) Canvest Kewei, as seller

Assets to be disposed of

Pursuant to the Canvest Kewei S&P Agreement, Canvest Kewei has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in Canvest Kewei Subsidiary, which is to be incorporated in the PRC as a direct wholly-owned subsidiary of Canvest Kewei. The subsidiary, Shanghai Keda, was incorporated on September 27, 2024 and is wholly-owned by Canvest Kewei.

The underlying assets to be disposed of under the Land Disposal are the land use rights and structures on the Land situated at 1/5 of land in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC (中國上海市寶山區月浦鎮3街坊1/5丘土地). As at the Latest Practicable Date, the land use rights and structures on the Land had been transferred from Canvest Kewei to Shanghai Keda.

Transfer of equity interests and registration procedures:

Canvest Kewei shall cooperate with Shanghai Keda in the registration procedures in respect of the Land Disposal in accordance with the applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.

Upon completion of the registration procedures in respect of the Land Disposal, (i) Canvest Kewei will cease to own any interest in Shanghai Keda and the land use rights and structures on the Land; and (ii) Shanghai Keda will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration and valuation method

The consideration under the Canvest Kewei S&P Agreement is RMB134,993,590, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of approximately RMB135 million as at 10 July 2024 based on the valuation report prepared by Shanghai Kedong Real Estate Appraisal Co., Ltd. (上海科東房地產土地估價有限公司), the full text of the updated valuation report is set out in Appendix II-A to this Scheme Document.

The independent valuer adopted the cost approach, which is an approach measuring the replacement cost or reconstruction cost and depreciation of the valuation object at the time of valuation, and subtracting depreciation from the replacement cost or reconstruction cost. According to the independent valuer, there are only a few comparables in the same district as the Land that also include a building under construction. Due to these factors, the independent valuer is of the view that using the comparative approach, income approach, or hypothetical development approach would be inappropriate for the valuation. Instead, the independent valuer has determined that the cost approach is the most suitable method, taking into consideration the availability of information regarding land acquisition costs and early development expenses in the district, as well as the transparency of construction costs. Therefore, the cost approach provides a more accurate valuation of the Land and the property. The formula for calculating the appraised value of construction is as follows: Appraised value = replacement cost — depreciation.

The replacement cost of the relevant properties under valuation comprises the acquisition costs of the Land, the construction costs, the management fees, and the sales costs, investment interests, sales related tax and profits in respect of the Land and the relevant structures on the Land. Typically, the depreciation of buildings includes material depreciation, functional depreciation and economic depreciation. Firstly, the design functions of the buildings related to this valuation can meet the needs of normal use, and there is no adverse impact on the properties, so its functional depreciation is considered not appropriate in this valuation. Secondly, the real estate market situation of the domestic waste integrated treatment plant at the time of this valuation is stable; the market supply and demand relationship is basically balanced; and the factors other than market environment, policies and other buildings have not adversely affected this kind of real estate, therefore the economic depreciation is not taken into account in this valuation. Due to aging, wear and damage caused by the use and natural forces of the buildings under this valuation, material depreciation shall be taken into account in the depreciation of the structures on the Land in this valuation. The material depreciation refers to the aging, wear and damage of buildings caused by use and natural forces.

The original acquisition cost of the land use rights and structures on the Land to Canvest Kewei was approximately RMB135 million.

The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of the first payment of the cancellation price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions

The Canvest Kewei S&P Agreement and the transfer of the equity interests in Shanghai Keda are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Land Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Land Disposal; and (iv) the obtaining of the approval of the Scheme by the Independent Shareholders and the Scheme Shareholders and the order sanctioning the Scheme by the Grand Court. None of the aforesaid conditions have been waived as at the date of this Scheme Document. The conditions cannot be waived in any event.

Completion

The completion of the Land Disposal shall take place upon the settlement of the consideration by Best Approach.

Financial Effect of the Land Disposal and intended Use of Proceeds

The carrying value of the Land as at 31 December 2024 amounted to HK\$145.8 million. Therefore, no material gain or loss will be recorded as a result of the Land Disposal. The Group intends to utilize the net proceeds from the Land Disposal for general working capital.

(2) The Smart Parking Disposal

On 22 July 2024 (after trading hours), the Company entered into a sale and purchase agreement with Best Approach, pursuant to which the Company conditionally agreed to sell and Best Approach conditionally agreed to purchase the entire equity interests in Canvest Technology Company Limited (“**Canvest Technology**”, being a direct wholly-owned subsidiary of the Company) for a total consideration of approximately HK\$30.0 million (“**Canvest Technology S&P Agreement**”). Upon completion, the Company will cease to own any direct or indirect interest in Canvest Technology.

Canvest Technology, through its subsidiaries, is principally engaged in the business of providing smart car parking solutions in the PRC.

The principal terms of the Canvest Technology S&P Agreement are summarised as follows:

Date: 22 July 2024 (after trading hours)

Parties involved (i) Best Approach, as buyer
(ii) The Company, as seller

Assets to be disposed of

Pursuant to the Canvest Technology S&P Agreement, the Company has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in Canvest Technology. The underlying assets to be disposed of under the Smart Parking Disposal are smart car parking projects located in several regions in the PRC held by Canvest Technology through its subsidiaries and joint venture for more than twelve months. Currently, there are six smart car parking projects in operation, one of which located in Guangdong Province, four of which are located in Hunan Province, and one of which is located in Hubei Province.

Transfer of equity interests and registration procedures

The Company shall cooperate with Canvest Technology in the registration procedures in respect of the Smart Parking Disposal in accordance with applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective. Upon completion of the registration procedures in

respect of the Smart Parking Disposal, Canvest Technology will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration and valuation method

The consideration under the Canvest Technology S&P Agreement is HK\$30 million (equivalent to approximately RMB26 million), which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of approximately RMB26 million as at 30 June 2024 based on the valuation report prepared by Masterpiece Valuation Advisory Limited, the full text of the updated valuation report is set out in Appendix II-B to this Scheme Document.

In determining the appraised value of Canvest Technology, the asset-based approach was adopted to assess the value of identifiable assets and liabilities as listed in the unaudited consolidated balance sheet of Canvest Technology as of 30 June 2024. This included, *inter alia*, the value of plant and equipment, intangible assets, and other payables. The valuation of the assets was conducted using the replacement cost model.

Among the three generally accepted valuation approaches (namely the income approach, the cost approach and the market approach), the income approach was deemed inappropriate due to Canvest Technology's history of net losses and its plans for downsizing operations. Similarly, the market approach could not be reliably applied because comparable market multiples were not available for the same reasons. Given that Canvest Technology was experiencing losses and downsizing, the asset-based approach was considered the most suitable methodology to determine its fair value, which focuses on the fair value of identifiable assets and liabilities, irrespective of the enterprise's profitability. Since Canvest Technology was experiencing losses and downsizing, the asset-based approach was considered suitable.

Under the asset-based approach, the recorded assets held by Canvest Technology were examined and adjusted to their fair value. Assets such as bank balances, prepayments, inventories, and other receivables were assumed to reasonably represent their fair values as book values. The plant and equipment, along with intangible assets, were valued based on the cost approach, which determines fair value by referencing replacement costs. Plant and equipment and intangible assets involved assets used in Canvest Technology's normal business operations. Cost approach determining fair value by reference to replacement costs. The fair value of the plant and equipment, intangible assets and fixed assets was RMB8.9 million, while the unaudited consolidated carrying amount was RMB53.3 million. For other assets and receivables, cash and cash equivalents, and all liabilities, the net book values should approximate to their fair values as of

30 June 2024. After taking into account all stated liabilities and the shareholder loan to be transferred at nominal value upon completion, an aggregate fair value of RMB26 million was derived for 100% equity interest of Canvest Technology.

The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of first payment of the cancellation price payable by the offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions

The Canvest Technology S&P Agreement and the transfer of equity interests in Canvest Technology are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Smart Parking Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Smart Parking Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Smart Parking Disposal; and (iv) the obtaining of the approval of the Scheme by the Independent Shareholders and the Scheme Shareholders and the order sanctioning the Scheme by the Grand Court. None of the aforesaid conditions have been waived as at the date of this Scheme Document. The conditions cannot be waived in any event.

Completion

The completion of the Smart Parking Disposal shall take place upon the settlement of the consideration by Best Approach.

Financial Effect of the Smart Parking Disposal and intended Use of Proceeds

The Group recorded impairment losses on goodwill, other intangible assets, property, plant and equipment and other receivables in relation to smart parking business with the aggregate amount of HK\$52.9 million (with corresponding deferred tax liabilities of HK\$6.1 million reversed) to the consolidated statement of profit and loss) for the year ended 31 December 2024, taking into account the changes in industry conditions and operating environment of smart parking industry. The carrying value of the net assets value of Canvest Technology as at 31 December 2024 amounted to HK\$23.4 million, therefore resulting to a gain on disposal of HK\$6.6 million. The Group intends to utilize the net proceeds from the Smart Working Disposal for general working capital.

(3) The Office Building Disposal

On 22 July 2024 (after trading hours), Yi Feng Development Limited (“**Yi Feng**”, being a direct wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with Best Approach, pursuant to which Yi Feng conditionally agreed to sell and Best Approach conditionally agreed to purchase, the entire equity

interests and shareholders' loan in each of KK VII (BVI) Limited and KK VIII (BVI) Limited (being indirect wholly-owned subsidiaries of the Company) for a total consideration of approximately HK\$165.0 million ("**KK S&P Agreement**"). Upon completion of the Office Building Disposal, both Yi Feng and the Company will cease to own any direct or indirect interest in each of KK VII (BVI) Limited and KK VIII (BVI) Limited.

Each of KK VII (BVI) Limited and KK VIII (BVI) Limited are investment holding companies, whereby (i) KK VII (BVI) Limited holds a commercial property and a car park space in Hong Kong; and (ii) KK VIII (BVI) Limited holds a commercial property, a car park space and rooftop in Hong Kong.

The principal terms of the KK S&P Agreement are summarised as follows:

Date: 22 July 2024 (after trading hours)

Parties involved: (i) Best Approach, as buyer
(ii) Yi Feng, as seller

Assets to be disposed of

Pursuant to the KK S&P Agreement, Yi Feng has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited.

The underlying assets to be disposed of under the Office Building Disposal are (i) a commercial property situated at 28th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West and a car park space situated at No. P22 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong held by KK VII (BVI) Limited for more than twelve months; and (ii) a commercial property situated at 29th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West, a car park space situated at No. P12 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West and the flat roof above 29th floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong held by KK VIII (BVI) Limited for more than twelve months.

Transfer of equity interests and registration procedures

Yi Feng shall cooperate with KK VII (BVI) Limited and KK VIII (BVI) Limited in the registration procedures in respect of the Office Building Disposal in accordance with applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.

Upon completion of the registration procedures in respect of the Office Building Disposal, KK VII (BVI) Limited and KK VIII (BVI) Limited will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration and valuation method

The consideration under the KK S&P Agreement is HK\$165 million, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of approximately HK\$165 million as at 30 June 2024 based on the valuation report prepared by Masterpiece Valuation Advisory Limited, the full text of the updated valuation report is set out in Appendix II-C to this Scheme Document.

In valuing the property interests for the underlying assets under the Office Building Disposal, the market approach is adopted, as there are several recent market sales of similar properties located in the neighborhood area. The valuer have adopted the market approach which is generally done by comparing recent market transactions of similar properties located in the neighborhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such transactions against the property. This approach is commonly used to value properties where reliable market evidence is available. The table below sets out the valuation key inputs:

No.	Property address	Key inputs
1	28th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West and a car park space situated at No. P22 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong	Market unit rates: HKD15,000–17,100/sq.ft. (office); HKD1,500,000–2,000,000/ CPS
2	29th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West, a car park space situated at No. P12 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West and the flat roof above 29th floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong	Market unit rates: HKD15,000–17,100/sq.ft. (office); HKD1,500,000–2,000,000/ CPS

The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of first payment of the total cancellation price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions

The KK S&P Agreement and the transfer of equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Office Building

Disposal are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Office Building Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Office Building Disposal; and (iv) the obtaining of the approval of the Scheme by the Independent Shareholders and the Scheme Shareholders and the order sanctioning the Scheme by the Grand Court. None of the aforesaid conditions have been waived as at the date of this Scheme Document. The conditions cannot be waived in any event.

Completion

The completion of the Office Building Disposal shall take place upon the settlement of the consideration by Best Approach.

Financial Effect of the Office Building Disposal and intended Use of Proceeds

The underlying assets in relation to KK S&P Agreement are reclassified as “assets held for sale” according to Hong Kong Financial Reporting Standards, and impairment loss of approximately HK\$88.1 million has been recorded in the consolidated statement of profit and loss for the year ended 31 December 2024. The carrying value of KK VII (BVI) Limited and KK VIII (BVI) Limited as at 31 December 2024 amounted to a total of HK\$161.2 million, therefore resulting to a gain on disposal of HK\$3.8 million. The Group intends to utilize the net proceeds from the Office Building Disposal for general working capital.

Financial Information on the target companies

Shanghai Keda

Shanghai Keda is a limited liability company established under the laws of the PRC and is a direct wholly-owned subsidiary of Canvest Kewei and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding and the development of the Land. As it is a newly established company, its financial results for the two preceding financial years as at the date of the Scheme Document is unavailable.

Canvest Technology

Canvest Technology is a limited liability company incorporated under the laws of BVI and is a direct wholly-owned subsidiary of the Company. It is an investment holding company and principally engaged in the business of providing smart car parking solutions in the PRC through its subsidiaries and joint venture.

According to the audited consolidated financial information of Canvest Technology prepared in accordance with Hong Kong Financial Reporting Standards the consolidated total assets and net assets of Canvest Technology as

at 31 December 2024 are approximately HK\$39,836,000 and HK\$23,736,000, respectively. A summary of the consolidated financial information of Canvest Technology for years ended 31 December 2023 and 2024 is tabled below:

	For the year ended 31 December 2023 HKD'000 (audited)	For the year ended 31 December 2024 HKD'000 (audited)
Net loss before taxation and extraordinary items	23,624	64,143
Net loss after taxation and extraordinary items	22,808	57,886

KK VII (BVI) Limited and KK VIII (BVI) Limited

KK VII (BVI) Limited and KK VIII (BVI) Limited are both limited liability companies incorporated under the laws of BVI and are indirect wholly-owned subsidiaries of the Company. They are both principally engaged in investment holding.

According to the audited financial information of KK VII (BVI) Limited and KK VIII (BVI) Limited prepared in accordance with Hong Kong Financial Reporting Standards, the total assets and net assets of KK VII (BVI) Limited as at 31 December 2024 are approximately HK\$78,191,000 and HK\$78,127,000, the total assets and net assets of KK VIII (BVI) Limited as at 31 December 2024 are

approximately HK\$82,022,000 and HK\$82,621,000, respectively. A summary of the audited financial information of KK VII (BVI) Limited and KK VIII (BVI) Limited for years ended 31 December 2023 and 2024 is tabled below:

	For the year ended 31 December 2023 <i>HKD'000</i> (audited)	For the year ended 31 December 2024 <i>HKD'000</i> (audited)
KK VII (BVI) Limited		
Net loss before taxation and extraordinary items	3,028	56,794
Net loss after taxation and extraordinary items	2,913	56,794
KK VIII (BVI) Limited		
Net loss before taxation and extraordinary items	2,884	60,509
Net loss after taxation and extraordinary items	2,111	60,509

(4) Reasons for and benefits of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal

Given that the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are part of the arrangement under the possible pre-conditional proposal for the privatisation of the Company, it is agreed that Best Approach will acquire the entire equity interests in Shanghai Keda, Canvest Technology, KK VII (BVI) Limited and KK VIII (BVI) Limited on the terms and subject to the conditions set out in the respective sale and purchase agreements. In addition, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal represents a transaction at an opportune time and allows the Group and Best Approach to reallocate their assets and also help the Group to streamline its asset's structure. The Board (including members of the Independent Board Committee) considers that each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal is entered into on normal commercial terms and the terms and conditions of which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

(5) Listing Rules and Takeovers Code implications

As at the Latest Practicable Date, Best Approach owns approximately 54.70% of the total issued share capital of the Company and is a connected person of the Company under the Listing Rules. Accordingly, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal constitutes a connected transaction

for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal exceeds 0.1% but is less than 5%, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are not capable of being extended to all Shareholders, the Land Disposal, the Smart Parking Disposal and the Office Building Disposal constitute special deals and require the consent of the Executive under Note 4 to Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive in relation to the Land Disposal, the Smart Parking Disposal and the Office Building Disposal conditional on: (i) the independent financial adviser to the Independent Board Committee confirming that the terms of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal, the Smart Parking Disposal and the Office Building Disposal.

The Independent Financial Adviser has stated in the letter from the Independent Financial Adviser that in its opinion, the terms of each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are fair and reasonable. For the avoidance of doubt, if Condition (6) of the Scheme, which is in relation to the Land Disposal, the Smart Parking Disposal and the Office Building Disposal is not fulfilled, the Land Disposal, Smart Parking Disposal and Office Building Disposal will not proceed. Shanghai Keda (which is the subsidiary to be disposed of in connection with the Land Disposal), Canvest Technology (which is the subsidiary to be disposed of in connection with the Smart Parking Disposal) and KK VII (BVI) Limited and KK VIII (BVI) Limited (which are the subsidiaries to be disposed of in connection with the Office Building Disposal) will not be disposed to Best Approach (the buyer of each of the Land Disposal, Smart Parking Disposal and Office Building Disposal) and each of Shanghai Keda, Canvest Technology and KK VII (BVI) Limited and KK VIII (BVI) Limited will remain as indirect wholly-owned subsidiaries of the Company.

Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee and those who are interested in or involved in the Land Disposal, the Smart Parking Disposal and the Office Building Disposal will abstain from voting on the resolution to approve the Land Disposal, the Smart Parking Disposal and the Office Building Disposal at the EGM.

The Valuation Reports prepared in respect of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are set out in Appendix II to this Scheme Document.

9. SPECIAL DEAL IN RELATION TO AMENDMENTS TO EXCHANGEABLE BONDS TERMS AND CONDITIONS

The Company was informed by Best Approach that, on 9 April 2025 (after trading hours), Best Approach as the issuer, Shanghai Industrial as the subscriber and Ms. Loretta Lee as the guarantor, to the Exchangeable Bonds (as defined in the announcement dated 5 October 2023 (the “**Exchangeable Bonds Announcement**”) published by Shanghai Industrial) entered into an amendment agreement (the “**Amendment Agreement**”) to amend (the “**EB Amendments**”) certain terms and conditions of the Exchangeable Bonds (the “**Exchangeable Bonds Terms and Conditions**”).

The principal terms of the Amendment Agreement are set out below:

Date: 9 April 2025

Parties: (1) Best Approach (as the issuer)
(2) Shanghai Industrial (as the subscriber)
(3) Ms. Loretta Lee (as the guarantor)
(each a “**Party**”, and together, the “**Parties**”)

Amendments: The Parties agree to amend the Exchangeable Bonds Terms and Conditions to provide, among other things, new reciprocal voluntary early redemption rights as follows:

(1) The BA Voluntary Early Redemption

- (a) Best Approach shall have a voluntary early redemption right pursuant to which it may, at any time prior to the maturity date of the Exchangeable Bonds as set out in the Exchangeable Bonds Announcement (the “**Maturity Date**”), redeem the outstanding Exchangeable Bonds (the “**BA Voluntary Early Redemption**”) at an amount equal to the sum of (i) the principal amount of the Exchangeable Bonds (the “**Principal Amount**”) (plus accrued but unpaid interest based on the then applicable interest rate of the Exchangeable Bonds), plus (ii) the Early Redemption Fee (as defined below) (together, the “**BA Early Redemption Price**”).

- (b) Upon Best Approach notifying Shanghai Industrial of a proposed BA Voluntary Early Redemption (the “**BA Early Redemption Notice**”) and if, at such time, there is any matter which, if completed, will result in the occurrence of any event set out under paragraph (i) or (ii) of the paragraph headed “*Early redemption at the option of Company*” of the Exchangeable Bonds Announcement (each a “**BA Relevant Transaction**”) is ongoing or has been announced on the Stock Exchange website, then Best Approach shall, on the completion date of the BA Voluntary Early Redemption specified in the BA Early Redemption Notice, which shall be no sooner than 20, but no later than 60, business days after the date of the BA Early Redemption Notice (the “**BA Early Redemption Date**”), pay to Shanghai Industrial the BA Early Redemption Price.
- (c) If, at the time of the BA Early Redemption Notice, no BA Relevant Transaction is ongoing or has been announced on the Stock Exchange website, Shanghai Industrial shall have the right to object to the proposed Best Approach Voluntary Early Redemption, which then shall not be consummated.
- (d) The “**Early Redemption Fee**” in respect of the Exchangeable Bonds means the following:

$$A \times B \times C/D$$

Where:

A = the outstanding Principal Amount as at the BA Early Redemption Date

B = 3.4%

C = 180 (or, if lower, the number of days from the BA Early Redemption Date to the Maturity Date)

D = 360

(2) *The SI Voluntary Early Redemption*

- (a) Conversely, Shanghai Industrial shall also have a voluntary early redemption right pursuant to which it may, at any time prior to the Maturity Date, redeem the outstanding Exchangeable Bonds (the “**SI Voluntary Early Redemption**”), at an amount equal to the Principal Amount (plus accrued but unpaid interest at the then applicable interest rate of the Exchangeable Bonds) (the “**SI Early Redemption Price**”).
- (b) Upon Shanghai Industrial notifying Best Approach of a proposed SI Voluntary Early Redemption (the “**SI Early Redemption Notice**”) and if, at such time, any event set out under the paragraph headed “*Early redemption at the option of Best Approach*” of the Exchangeable Bonds Announcement has occurred (each, a “**SI Relevant Transaction**”), Best Approach shall pay to Shanghai Industrial the SI Early Redemption Price on the redemption date specified in the SI Early Redemption Notice.
- (c) If, at the time of the SI Early Redemption Notice, no SI Relevant Transaction has occurred, Best Approach shall have the right to object to the proposed SI Voluntary Early Redemption, which then shall not be consummated.

Conditions
precedent:

The EB Amendments shall be conditional upon (i) the Executive granting its consent to the EB Amendments Special Deal (as defined below), (ii) the Independent Financial Adviser confirming that the terms of the EB Amendments are fair and reasonable so far as the EB Amendments Independent Shareholders are concerned; and (iii) the passing of an ordinary resolution by the EB Amendments Independent Shareholders at the EGM to approve the EB Amendments (together, the “**EB Amendments Conditions**”).

The EB Amendments is an arrangement among Best Approach, Ms. Loretta Lee (each being a party acting in concert with the Offeror) and Shanghai Industrial (being an indirect substantial shareholder of the Company through its indirect wholly-owned subsidiary, True Victor), which is not capable of being extended to all Shareholders. As such, the EB Amendments constitute a special deal (the “**EB Amendments Special Deal**”) which require the consent of the Executive under Rule 25 of the Takeovers Code.

The Company understands from Best Approach that it has applied to the Executive for consent to the EB Amendments Special Deal and such consent, if granted, will be subject to satisfaction of the other EB Amendments Conditions. Satisfaction of the EB Amendment Conditions is not one of the Pre-Conditions or Conditions of the Proposal and the Scheme. Therefore, if all the Pre-Conditions and Conditions are satisfied (or waived, as the case may be), the implementation of the Proposal and the effectiveness of the Scheme will not be subject to whether the EB Amendments Conditions are satisfied or whether the Amendment Agreement will complete.

The Independent Financial Adviser has stated in the letter from the Independent Financial Adviser that in its opinion, the terms of the EB Amendments are fair and reasonable.

As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares (representing approximately 54.70% of the total Shares in issue), Ms. Loretta Lee holds 1,376,000 Shares (representing approximately 0.06% of the total Shares in issue), Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse (representing approximately 0.41% of the total Shares in issue), Mr. CT Lai holds 250,000 Shares (representing approximately 0.01% of the total issued share capital of the Company) and True Victor holds 475,251,000 Shares (representing approximately 19.47% of the total Shares in issue). Best Approach, Mr. KM Lai, Ms. Loretta Lee, Mr. CT Lai and True Victor will abstain from voting on the proposed resolution(s) in respect of the EB Amendments at the EGM. Given the EB Amendments is not one of the Pre-Conditions or Conditions, True Victor is an Independent Shareholder.

10. IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, (i) Best Approach holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company, of which 370,668,722 Shares held by Best Approach, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial; (ii) Ms. Loretta Lee holds 1,376,000 Shares, representing approximately 0.06% of the total issued share capital of the Company; and (iii) Ms. Loretta Lee owns 250,000 Share Options. The aggregate number of Shares and Share Options owned by Best Approach and/or Ms. Loretta Lee that are subject to the Irrevocable Undertaking is 1,336,991,837 Shares, representing approximately 54.76% of the total issued share capital of the Company as at the Latest Practicable Date, and 250,000 Share Options, respectively.

On 22 July 2024, Best Approach (as the covenantor), Mr. KM Lai and Ms. Loretta Lee (as Best Approach's guarantors) and the Offeror entered into the Irrevocable Undertaking, pursuant to which each of Best Approach, Mr. KM Lai and Ms. Loretta Lee irrevocably and unconditionally undertook to the Offeror, among other things, that it/he/she will, and will procure and ensure that during the term of the Irrevocable Undertaking:

- (i) Best Approach and Ms. Loretta Lee will, so far as permitted under the relevant laws and regulations (including the Takeovers Code), exercise all voting rights attached to the IU Shares in favour of all the resolutions necessary to implement

the Proposal and any such other matters in connection therewith at the EGM to be convened for the purposes of passing the necessary resolutions for, among others, the implementation of the Proposal, and not to (a) encourage, solicit or promote offers by any person other than the Offeror to acquire any Shares (whether by way of an offer, scheme of arrangement or otherwise), accept any other offers involving the IU Shares; (b) sell, transfer or otherwise dispose of or pledge the IU Shares (save for the Pledged Shares); (c) purchase or acquire any other Shares without the prior written consent of Offeror; or (d) take any actions which may adversely affect or impede giving effect to the Scheme; and

- (ii) Ms. Loretta Lee will refrain from exercising the 250,000 Share Options held by her will and accept the Option Offer in respect of Share Options held by her.

Due to the Rollover Arrangement, the special deals in relation to the Land Disposal, Smart Parking Disposal and Office Building Disposal and the special deal in relation to the EB Amendments, in accordance with the requirements of the relevant laws and regulations (including the Takeovers Code), Best Approach, Mr. KM Lai, Ms. Loretta Lee and Mr. CT Lai will abstain from voting (i) on the Scheme at the Court Meeting; and (ii) on the special deals in relation to the Rollover Arrangement, the Land Disposal, Smart Parking Disposal, Office Building Disposal and the EB Amendments at the EGM, and True Victor will abstain from voting on the EB Amendments at the EGM. Each of Best Approach, Mr. KM Lai, Ms. Loretta Lee and Mr. CT Lai have provided an undertaking to the Grand Court (a) not to vote at the Court Meeting and will procure that any Shares in respect of which it/he/she is legally or beneficially interested will not be represented or voted at the Court Meeting and (b) to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it/him/her for the purpose of giving effect to the Scheme.

Best Approach has also given, among others, customary representations and warranties in relation to, among others, the business operation, financial conditions, liabilities/contingent liabilities of the Group. Mr. KM Lai and Ms. Loretta Lee have agreed to guarantee the due performance of the obligations and undertakings of Best Approach under the Irrevocable Undertaking jointly and severally. As security for the fulfilment of obligations and undertakings of Best Approach under the Irrevocable Undertaking regarding matters including defects, contingent losses and accounts receivables, the Best Approach Cancellation Price payable to Best Approach will be paid by the Offeror to Best Approach by various instalments. The Deferred Cancellation Price (representing approximately 16.96% of the Best Approach Cancellation Price) will be retained by the Offeror and the Deferred Cancellation Price will only be paid to Best Approach by installments after the relevant obligations, undertakings and warranties under the Irrevocable Undertaking have been satisfied in full or the payment of the Deferred Cancellation Price is otherwise agreed by the Offeror, Best Approach, Mr. KM Lai and Ms. Loretta Lee in writing, whichever is earlier. The remaining Best Approach Cancellation Price (other than the Deferred Cancellation Price) will be paid to Best Approach directly within seven business days after the Proposal becomes effective. Pursuant to the Irrevocable Undertaking, it has been agreed among the parties pursuant to the Irrevocable Undertaking that the Offeror may retain the Core Deferred Cancellation Price until no earlier than the

date falling five years after the Effective Date and that Best Approach, Ms. Loretta Lee and Mr. KM Lai: (a) shall accept all credit risks associated with any delay in payment of such Core Deferred Cancellation Price; and (b) have agreed that, subject to applicable laws, the Core Deferred Cancellation Price does not need to be covered by the financial resources confirmation of the exclusive financial adviser to the Offeror.

The Irrevocable Undertaking will be terminated if (i) the Proposal and the Scheme do not become effective by the Long Stop Date; (ii) the Scheme is not sanctioned by the Grand Court; (iii) the requisite resolutions necessary to implement the Proposal are or any transaction disclosed in this Scheme Document that requires approval of the Shareholders is not approved at the EGM; (iv) Best Approach and the Offeror mutually agree to terminate the Irrevocable Undertaking in writing; or (v) the Proposal or Share Option Offer is withdrawn or lapses.

Pursuant to the Irrevocable Undertaking,

(i) Best Approach, Mr. KM Lai and Ms. Loretta Lee have undertaken that:

- (a) the Yuezhan Environmental Disposal will be completed within three months after the date of the Announcement and the Group will not record loss from the Yuezhan Environmental Disposal. The Yuezhan Environmental Disposal, which is a pre-condition to the making of the Proposal, was fulfilled on 18 October 2024. With reference to the Yuezhan Environmental Disposal, Canvest Yuezhan Environmental Investment (Guangdong) Company Limited* (粵豐粵展環保投資(廣東)有限公司), an indirect wholly-owned subsidiary of the Company (“**Yuezhan Environmental Investment**”) (as vendor) entered into a sale and purchase agreement with Dongguan Tianning Hardware Machinery Trading Co., Ltd.* (東莞市天寧五金機械貿易有限公司) (an Independent Third Party) (“**Dongguan Tianning**”), pursuant to which Yuezhan Environmental Investment conditionally agreed to sell and Dongguan Tianning conditionally agreed to purchase, the entire equity interests in Yuezhan Environmental for a total consideration of approximately RMB130.4 million. The consideration was determined with reference to the net asset value of Yuezhan Environmental as at 19 July 2024. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Yuezhan Environmental Disposal are less than 5%, the Yuezhan Environmental Disposal does not constitute a discloseable transaction for the Company and is not subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules;
- (b) the registration procedures in respect of the Land Disposal will be completed before the Effective Date and the payment of consideration in respect of the Land Disposal will be completed within 30 days from the date of payment of the Best Approach Cancellation Price (other than the Deferred Cancellation Price) by the Offeror to Best Approach in accordance with the Takeovers Code and the Group does not record loss from the Land Disposal;

- (c) the registration procedures in respect of the Smart Parking Disposal and Office Building Disposal will be completed before the Effective Date and the payment of consideration in respect of the Smart Parking Disposal and Office Building Disposal will be completed within 30 days from the date of payment of the Best Approach Cancellation Price (other than the Deferred Cancellation Price) by the Offeror to Best Approach in accordance with the Takeovers Code;
 - (d) all tax expenses related to the Land Disposal, Smart Parking Disposal and Office Building Disposal shall be borne by Best Approach solely and no tax expense shall be borne by the Group in relation to the Land Disposal, Smart Parking Disposal and Office Building Disposal;
- (ii) Each of Best Approach, Mr. KM Lai and Ms. Loretta Lee jointly and severally agreed to pay the Offeror RMB300 million as compensation within 60 days after the Company publishes an announcement on the lapse of the Proposal should any one or more of the following have resulted in the lapse of the Proposal:
- (a) if the Yuezhao Environmental Disposal is not completed within three months from the Announcement and has resulted in the lapse of the Proposal;
 - (b) the Group has failed to obtain signed written agreements and/or written preliminary or in-principle confirmation from the relevant financial institutions, guarantors and other entities (if applicable) to resolve the following guarantee issues prior to the Pre-Conditions Long Stop Date:
 - (1) guarantee provided by Loyal Step (an indirect wholly-owned subsidiary of the Company) which exceeds the proportion of its shareholding in Huizhou Zhongzhou Environmental Protection Resources Co., Ltd.* (惠州市中洲環保資源有限公司) (an associate of the Group and is owned as to 40% by Loyal Step and 60% by Independent Third Parties); and
 - (2) guarantee provided by any other member of the Group (if any) which exceeds the proportion of its shareholding as set out in the financial statements of the Company as at 30 June 2024 or any other financial statements to be agreed in writing between the Offeror and the Company,and failed to obtain such written agreements and/or written preliminary or in-principle confirmation effectively confirming that the Group will assume limited guarantee liability for the relevant non-consolidated subsidiaries within the proportion of their respective shareholding;
 - (c) if the Land Disposal is not completed due to reason(s) caused by Best Approach, Mr. KM Lai or Ms. Loretta Lee (other than objective reasons such as laws, regulations and regulatory policy restrictions) and Condition (6) is not waived by the Offeror;

- (d) if the Smart Parking Disposal and/or the Office Building Disposal is/are not completed due to reason(s) caused by Best Approach, Mr. KM Lai or Ms. Loretta Lee (other than objective reasons such as laws, regulations and regulatory policy restrictions) and Condition (6) is not waived by the Offeror;
 - (e) the Pledged Shares which have been pledged by Best Approach to Shanghai Industrial have affected the implementation of the Proposal which resulted in the lapse of the Proposal; or
 - (f) prior to the termination of the Irrevocable Undertaking, Best Approach, Mr. KM Lai or Ms. Loretta Lee has encouraged, solicited or promoted any other offer by any person other than the Offeror (or person(s) approved by the Offeror) to acquire any Shares (whether by way of an offer, scheme of arrangement or otherwise), or accepted any other offer by any person other than the Offeror (or person(s) approved by the Offeror), which resulted in the lapse of the Proposal.
- (iii) For the avoidance of doubt, if Best Approach, Mr. KM Lai and Ms. Loretta Lee are required to pay compensation of RMB300 million to the Offeror due to one or more of the matters in paragraph (ii) above, the total amount of compensation that Best Approach, Mr. KM Lai and Ms. Loretta Lee are required to pay to the Offeror pursuant to paragraph (ii) above is RMB300 million and Best Approach, Mr. KM Lai and Ms. Loretta Lee do not need to provide other compensation to the Offeror other than RMB300 million in relation to paragraph (ii) above.
- (iv) The Offeror agreed to pay the Company RMB300 million as compensation (a) within 60 days after the Company publishes an announcement on the lapse of the Proposal if all the Pre-Conditions (other than Pre-Condition (iii)) have been fulfilled, and Nanhai Hengjian Fund has made capital injection in the aggregate amount of RMB2 billion into Grandblue Foshan, on or before the Pre-Conditions Long Stop Date however Grandblue Environment or its subsidiary fails to make an aggregate capital injection in the amount of RMB2.6 billion to Grandblue Foshan on or before the Pre-Conditions Long Stop Date; or (b) within 60 days after the Company publishes an announcement on the Effective Date of the Proposal, should the Offeror fail to pay the Best Approach Cancellation Price (other than the Deferred Cancellation Price) within seven business days after the Scheme becomes effective in accordance with the Takeovers Code due to reasons of the Offeror other than objective reasons such as laws, regulations and regulatory policy restrictions.
- (v) For the avoidance of doubt, if the Offeror is required to pay compensation of RMB300 million to the Company due to one or more of the matters in paragraph (iv) above, the total amount of compensation that the Offeror is required to pay to the Company pursuant to paragraph (iv) above is RMB300 million, and the Offeror does not need to provide other compensation to the Company other than RMB300 million in relation to paragraph (iv) above.

- (vi) The obligations in paragraphs (ii) to (v) above shall survive the termination of the Irrevocable Undertaking.

11. UNDERTAKING IN RELATION TO THE PLEDGED SHARES

Best Approach has executed an Undertaking in favour of the Offeror in relation to the Pledged Shares. Pursuant to the Undertaking, Best Approach has undertaken that prior to the date of the Scheme Document, Best Approach shall obtain the written consent from Shanghai Industrial to release the Pledged Shares, which have been pledged by Best Approach to Shanghai Industrial, before the Effective Date. As at the Latest Practicable Date, Best Approach has obtained the written consent from Shanghai Industrial that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting.

12. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

Your attention is drawn to the section headed “15. Reasons for and benefits of, the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document.

13. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

It is the intention of the Offeror that the Group will continue to carry on its current business. The Offeror does not have plans to make any major changes to the current business or operations of the Group (including any redeployment of fixed assets of the Group). The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group, except for staff movements which are part of normal conduct of business. The Offeror will continue to monitor all business opportunities in relation to the Group as they arise from time to time.

The Board has noted the intention of the Offeror in respect of the Group set out above.

14. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1381). The principal activity of the Company is investment holding. The principal activities of the Group are the operation and management of waste-to-energy plants, provision of environmental hygiene and related services and integrated smart city management services across several regions in the PRC.

Your attention is drawn to: (i) the section headed “Financial Information of the Canvest Group” set out in Appendix I to this Scheme Document; and (ii) the Valuation Reports set out in Appendix II-A, II-C and II-D for further information on the Group.

The Offeror

Your attention is drawn to the paragraph headed “14. Information on the Offeror” in the Explanatory Memorandum.

15. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect immediately after the Effective Date.

A detailed expected timetable of the Proposal and the Scheme has been included in the section headed “Expected Timetable” of this Scheme Document, which also contains (among other things) further details of the Scheme. If the Scheme becomes effective, dealings in Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Wednesday, 14 May 2025, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Monday, 2 June 2025. An announcement of the exact dates of the last day for dealing in Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective will be made by the Company and the Offeror.

The Company will be privatised by way of a scheme of arrangement under section 86 of the Companies Act, and it is the Company’s intention not to retain its listing on the Stock Exchange after implementation of the Proposal.

16. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions (6) to (13) has not been fulfilled or waived by the Offeror or any of the Conditions (1) to (5) has not been fulfilled, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses. An announcement will be made by the Company and the Offeror in due course in such event.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

17. OVERSEAS SHAREHOLDERS

It is the responsibility of any overseas Scheme Shareholders, wishing to take an action in relation to the Proposal, to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

If you are an overseas Scheme Shareholders or Optionholder, your attention is drawn to the section headed “24. Overseas Shareholders” in “Part VII — Explanatory Memorandum” of this Scheme Document.

18. SCHEME SHARES, EGM AND COURT MEETING

As at the Latest Practicable Date, the Offeror did not own any Shares and the Offeror Concert Parties held 1,347,241,837 Shares, representing approximately 55.18% of the issued share capital of the Company. 1,159,227,217 Shares held by Best Approach will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, while 176,388,620 Shares held by Best Approach (being the Rollover Shares subject to the Rollover Arrangement) will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. All of the Offeror Concert Parties will abstain from voting on the Scheme at the Court Meeting. Each of Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee have provided an undertaking to the Grand Court (i) not to vote at the Court Meeting and will procure that any Shares in respect of which it/he/she is legally or beneficially interested will not be represented or voted at the Court Meeting and (ii) to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it/him/her for the purpose of giving effect to the Scheme.

As such, as at the Latest Practicable Date, save for Best Approach, Ms. Loretta Lee, Mr. CT Lai and Mr. KM Lai (who have provided undertakings to the Grand Court not to vote on the Scheme at the Court Meeting and to be bound by the terms of the Scheme), all Scheme Shareholders are Independent Shareholders. All Scheme Shareholders as of the Meeting Record Date, save for Best Approach, Ms. Loretta Lee, Mr. CT Lai and Mr. KM Lai (who have provided undertakings to the Grand Court not to vote on the Scheme at the Court Meeting and to be bound by the terms of the Scheme), will be entitled to attend and vote on the Scheme at the Court Meeting.

All Shareholders as of the Meeting Record Date will be entitled to attend the EGM and vote on (i) the special resolution to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit arising in the Company's books of accounts as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares for issuance to the Offeror. Only the Independent Shareholders as of

the Meeting Record Date may vote on the ordinary resolutions in connection with the special deal in relation to the Rollover Arrangement, the Smart Parking Disposal, the Office Building Disposal and the Land Disposal in accordance with the Takeovers Code. Only the EB Amendments Independent Shareholders as of the Meeting Record Date may vote on the ordinary resolution in connection with the special deal in relation to the EB Amendments in accordance with the Takeovers Code.

Pursuant to the rules of the Share Award Scheme, the Share Award Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust. Accordingly, all of the Trustee Held Pool Shares will not be voted at the EGM and the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

The Company has confirmed that the vote counting of all the resolutions to be proposed at the EGM will not take place until the conclusion of the Court Meeting; and the poll results of all the resolutions to be proposed at the EGM will not be announced/notified to any Shareholder until the publication of the poll results announcement of the Company in relation to the EGM and the Court Meeting on the website of the Stock Exchange in accordance with the requirements under the Takeovers Code and the Listing Rules.

The Offeror and Offeror Concert Parties have undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme.

19. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises Mr. Feng Jun, being the non-executive Director who does not have any relationship with the Offeror or Best Approach, and Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, being the independent non-executive Directors, has been established by the Board to make a recommendation (i) to the Independent Shareholders as to whether the terms of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, and the Office Building Disposal and, to the EB Amendments Independent Shareholders only, as to whether the terms of the EB Amendments are, or are not, fair and reasonable and as to how to vote at the Court Meeting and the EGM; and (ii) to the Optionholder as to whether the terms of the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the EB Amendments. The recommendation of the Independent Board Committee as to whether the terms of the Proposal, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the EB Amendments are or are not fair and reasonable, and as to voting by the Independent Shareholders (and in respect of the EB Amendments only, the EB Amendments Independent Shareholders) at the Court Meeting, is set out on pages 67 to 69 of this Scheme Document.

20. FINANCIAL ADVISERS AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed CITIC Securities as its exclusive financial adviser in connection with the Proposal. The Company has appointed ABCI Capital as its exclusive financial adviser in connection with the Proposal. The Board, with the approval of the Independent Board Committee, has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer.

21. DISCLOSURE OF DEALINGS

Associates (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Offeror and the Company are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the Offer Period.

Your attention is drawn to the section headed “4. Disclosure of interests” in Appendix III — General Information on Canvest and the Offeror of this Scheme Document.

22. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in the section headed “Actions to be Taken” in this Scheme Document.

23. REGISTRATION AND PAYMENT

Your attention is drawn to the paragraph headed “23. Registration and Payment” in the Explanatory Memorandum.

24. RECOMMENDATIONS

Your attention is drawn to the recommendation of the Independent Board Committee in respect of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer as set out in the letter from the Independent Board Committee to the Independent Shareholders (and in respect of the EB Amendments only, the EB Amendments Independent Shareholders) as set out on pages 67 to 69 of this Scheme Document.

Your attention is also drawn to the recommendation of Independent Financial Adviser to the Independent Board Committee in connection with the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer as set out in the letter from the Independent Financial Adviser to the Independent Board Committee as set out on page 70 of this Scheme Document.

25. FURTHER INFORMATION

You are urged to read carefully: (i) the letter from Independent Board Committee; (ii) the letter from Independent Financial Adviser; (iii) the Explanatory Memorandum; (iv) the financial information on the Group set out in Appendix I to this Scheme Document; (v) the Valuation Reports; (vi) the general information set out in Appendix III to this Scheme Document; (vii) the Scheme; (viii) the notice of the EGM; and (ix) the notice of the Court Meeting. In addition, the Proxy Forms are enclosed with copies of this Scheme Document sent to Registered Owners.

Particular attention of the Optionholder is also drawn to the Option Offer Letter and the form of acceptance for the Option Offer.

Yours faithfully
for and on behalf of the Board of
Canvest Environmental Protection Group Company Limited
Wong Ling Fong Lisa
Company Secretary



**CANVEST ENVIRONMENTAL PROTECTION
GROUP COMPANY LIMITED**

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

17 April 2025

*To the Independent Shareholders, the EB Amendments Independent Shareholders and the
Optionholder*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT**

**(UNDER SECTION 86 OF THE COMPANIES ACT OF
THE CAYMAN ISLANDS)**

(2) OPTION OFFER

**(3) CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION TO
THE LAND DISPOSAL, SMART PARKING DISPOSAL AND
OFFICE BUILDING DISPOSAL**

(4) SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT

**(5) SPECIAL DEAL IN RELATION TO AMENDMENTS TO THE
EXCHANGEABLE BONDS TERMS AND CONDITIONS**

(6) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY

We refer to the scheme document dated 17 April 2025 jointly issued by the Company and the Offeror in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to give advice and recommendation to the Independent Shareholders in respect of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the Option Offer, and to the EB Amendments Independent Shareholders in respect of the EB Amendments only, the details of which are set out in the letter from the Board and the Explanatory Memorandum.

Somerley Capital Limited has been appointed with our approval as the Independent Financial Adviser to give advice and recommendation to us in respect of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer. Details of the advice from the Independent Financial Adviser and the principal factors which the Independent Financial Adviser has taken into consideration in arriving at its advice and recommendation are set out in the letter from Independent Financial Adviser.

In the letter from Independent Financial Adviser, the Independent Financial Adviser states that it considers the terms of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer are fair and reasonable, and advises the Independent Board Committee to recommend (i) the Independent Shareholders to vote in favour of (a) the Scheme at the Court Meeting (b) the resolutions necessary to implement the Proposal, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal and the Office Building Disposal at the EGM, (ii) the EB Amendments Independent Shareholders to vote in favour of the resolutions necessary to implement the EB Amendments, and (iii) the Optionholder to accept the Option Offer.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer, and having taken into account the advice and recommendation of the Independent Financial Adviser (in particular the factors, reasons and recommendations as set out in the letter from Independent Financial Adviser), considers that the terms of the Proposal, the Scheme, the Rollover Arrangement, the Smart Parking Disposal and the Office Building Disposal, the Land Disposal, the EB Amendments and the Option Offer are fair and reasonable.

Accordingly, we recommend that:

- (1) at the Court Meeting, the Independent Shareholders to vote in favour of the resolution to approve the Scheme;

(2) at the EGM:

(a) the Independent Shareholders to vote in favour of:

- (i) the special resolution to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (ii) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit arising in the Company's books of accounts as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares for issuance to the Offeror;
- (iii) the ordinary resolution to approve the Rollover Arrangement; and
- (iv) the ordinary resolution to approve the Land Disposal, Smart Parking Disposal and Office Building Disposal;

(b) the EB Amendments Independent Shareholders to vote in favour of the ordinary resolution to approve the EB Amendments; and

(3) the Optionholder to accept the Option Offer.

The Independent Board Committee draws the attention of the Independent Shareholders, the EB Amendments Independent Shareholders and the Optionholder to: (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice and recommendation to the Independent Board Committee; and (iii) the Explanatory Memorandum.

Yours faithfully,
Independent Committee of the Board

Mr. FENG Jun
Non-executive Director

Professor SHA Zhenquan
Independent non-executive Director

Mr. CHAN Kam Kwan Jason
Independent non-executive Director

Mr. CHUNG Kwok Nam
Independent non-executive Director

Mr. LEE Tsung Wah Jonathan
Independent non-executive Director

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

17 April 2025

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT
OF THE CAYMAN ISLANDS);
(2) OPTION OFFER;
(3) CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION
TO THE LAND DISPOSAL, SMART PARKING DISPOSAL AND
OFFICE BUILDING DISPOSAL;
(4) SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT;
(5) SPECIAL DEAL IN RELATION TO AMENDMENTS TO EXCHANGEABLE
BONDS TERMS AND CONDITIONS; AND
(6) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee of the Company in relation to (i) the Proposal, the Scheme and the Option Offer, (ii) the Rollover Arrangement, (iii) the Land Disposal, the Smart Parking Disposal and the Office Building Disposal; and (iv) the EB Amendments ((i), (ii), (iii) and (iv), collectively, the “**Transactions**”). Details of the Transactions are set out in the scheme document dated 17 April 2025 (the “**Scheme Document**”) jointly issued by the Company and the Offeror, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 22 July 2024 (after trading hours), the Offeror requested, subject to the satisfaction of the Pre-Conditions, the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme under section 86 of the Companies Act. All of the Pre-Conditions have been satisfied on 17 March 2025. The Proposal, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange. Under the Scheme, on the Effective Date, all Scheme Shares will be cancelled in consideration for which each Scheme Shareholder will receive from the Offeror the Cancellation Price of HK\$4.90 (less the Dividend Adjustment (if any)) payable in cash by the Offeror.

As at the Latest Practicable Date, there were 250,000 outstanding Share Options granted under the Share Option Scheme, each relating to one Share with an exercise price of HK\$4.39. All such Share Options were held by Ms. Loretta Lee, an executive Director. As part of the Proposal and upon despatch of the Scheme Document, the Offeror will send the Option Offer Letter to the Optionholder in connection with the Option Offer to cancel every outstanding Share Option, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Any Share Options granted under the Share Option Scheme that are not exercised or (if applicable) cancelled pursuant to the acceptance of the Option Offer will, with agreement, lapse upon the Scheme becoming effective.

Also, as at the Latest Practicable Date, Best Approach held 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company. The Offeror proposes to allow Best Approach to retain the 176,388,620 Rollover Shares, representing approximately 7.22% of the total issued share capital of the Company after the Scheme becomes effective. As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code conditional on: (i) the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement.

On 22 July 2024 (after trading hours), the Company (through itself and its wholly-owned subsidiaries) entered into the sale and purchase agreements with Best Approach in relation to the Land Disposal, the Smart Parking Disposal and the Office Building Disposal respectively.

According to the letter from the Board (the “**Board Letter**”) as contained in the Scheme Document, as at the Latest Practicable Date, Best Approach owned approximately 54.70% of the total issued share capital of the Company and is a connected person of the Company under the Listing Rules. Accordingly, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal (collectively, the “**Disposals**”) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal exceed 0.1% but are less than 5%, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal is subject to the reporting and announcement requirements but

exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. However, as the Disposals are not capable of being extended to all Shareholders, the Disposals constitute special deals and require the consent of the Executive under Note 4 to Rule 25 of the Takeovers Code conditional on: (i) the independent financial adviser to the Independent Board Committee confirming that the terms of each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal.

In addition, on 9 April 2025 (after trading hours), Best Approach, Shanghai Industrial and Ms. Loretta Lee entered into the Amendment Agreement in relation to the amendment of certain terms and conditions of the Exchangeable Bonds issued by Best Approach to Shanghai Industrial.

According to the Board Letter, the EB Amendments is an arrangement among Best Approach, Ms. Loretta Lee (each being a party acting in concert with the Offeror) and Shanghai Industrial (being an indirect substantial shareholder of the Company through its indirect wholly-owned subsidiary, True Victor), which is not capable of being extended to all Shareholders. As such, the EB Amendments constitute a special deal which require the consent of the Executive under Rule 25 of the Takeovers Code, and such consent, if granted, will be subject to satisfaction of the other EB Amendments Conditions (including (i) the independent financial adviser to the Independent Board Committee confirming that the terms of the EB Amendments are fair and reasonable; and (ii) the passing of an ordinary resolution by the EB Amendments Independent Shareholders at the EGM to approve the EB Amendments).

The Independent Board Committee, comprising Mr. Feng Jun, being the non-executive Director, and Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, being the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Proposal, the Scheme, the Rollover Arrangement and the Disposals, to advise the EB Amendments Independent Shareholders in relation to the EB Amendments, and to advise the Optionholder in relation to the Option Offer. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard (the "**Engagement**").

As at the Latest Practicable Date, we were not aware of any relationships or interests between Somerley Capital Limited and the Company, the Offeror, Best Approach, Ms. Loretta Lee, Shanghai Industrial, True Victor or any party acting, or presumed to be acting, in concert with any of them that could be reasonably regarded as a hindrance to Somerley Capital Limited's independence to act as the Independent Financial Adviser in respect of the Engagement. During the past two years immediately preceding the Latest Practicable Date, save for the Engagement, there have been no other engagements between the Company and Somerley Capital Limited. Apart from normal professional fees paid or payable to us in connection with the Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company.

We have relied on the information as contained in the Scheme Document and the information and facts supplied by the Company and the opinions expressed by management of the Company (the “**Management**”), the Directors and the Offeror (where applicable), and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document, and will continue to be true until the end of the Offer Period. Should there be any material changes to our opinion after the Latest Practicable Date, the Independent Shareholders, the EB Amendments Independent Shareholders and the Optionholder would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. However, we have not conducted any independent investigation into the business and affairs of the Company, the Offeror, Best Approach, Ms. Loretta Lee, Shanghai Industrial or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Transactions, we have taken into account the following principal factors and reasons:

A. Background and Principal Terms of the Proposal

The Scheme

Under the Scheme, as consideration for the cancellation of the Scheme Shares, the Offeror shall pay the Cancellation Price (less the Dividend Adjustment (as explained below) (if any)) in cash to the Scheme Shareholders for each Scheme Share held as at the Record Date on the following basis:

For each Scheme Share HK\$4.90 in cash

As at the Latest Practicable Date, the Company had not declared any dividend which remains unpaid, and the Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses or is withdrawn (as the case may be).

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive (i.e. the Dividend Adjustment), in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

As at the Latest Practicable Date, (i) there were an aggregate of 10,100,000 Trustee Held Pool Shares held by the Share Award Trustee, which are unutilised under the Share Award Scheme; and (ii) no Share Award was granted or vested under the Share Award Scheme. All of the Trustee Held Pool Shares which are still held by the Share Award Trustee as of the Record Date shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay to the Share Award Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Pool Shares, which shall be paid by the Share Award Trustee to the Company after the Share Award Trustee receives such amount from the Offeror under the Scheme and upon the termination of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Share Award Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust. Accordingly, all of the Trustee Held Pool Shares will not be voted at the Court Meeting and the EGM notwithstanding that such Shares form part of the Scheme Shares. During the Offer Period, the Company did not grant, does not intend to and will not grant any Share Awards and therefore the Share Award Trustee did not and will not further acquire Shares on market for the purpose of making grants under the Share Award Scheme.

For further details of the Scheme, please refer to Appendix IV to the Scheme Document.

The Option Offer

According to the Board Letter, as at the Latest Practicable Date, there were 250,000 outstanding Share Options granted under the Share Option Scheme, each relating to one Share with an exercise price of HK\$4.39. As at the Latest Practicable Date, all the 250,000 Share Options were held by Ms. Loretta Lee and are exercisable.

The exercise of all the outstanding Share Options under the Share Option Scheme in full would result in the issue of 250,000 new Shares, representing approximately 0.01% of the total issued share capital of Company as at the Latest Practicable Date and approximately 0.01% of the total issued share capital of the Company as enlarged by the issue of such new Shares.

The Offeror is making the Option Offer to the Optionholder to cancel every outstanding Share Option, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering holder of the outstanding Share Options the Option Offer Price, which represents the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each outstanding Share Option for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code. Any Share Options granted under the Share Option Scheme that are not exercised or (if applicable) cancelled pursuant to the acceptance of the Option Offer will, with agreement, lapse upon the Scheme becoming effective. The Option Offer is being made by the Offeror on the following basis:

For each Option HK\$0.51 in cash

For further details of the Option Offer, please refer to the Option Offer Letter as contained in Appendix VII to the Scheme Document.

The Irrevocable Undertaking

On 22 July 2024, Best Approach (as the covenantor), Mr. KM Lai and Ms. Loretta Lee (as Best Approach’s guarantors) and the Offeror entered into the Irrevocable Undertaking, pursuant to which each of Best Approach, Mr. KM Lai and Ms. Loretta Lee irrevocably and unconditionally undertook to the Offeror, among other things, that it/he/she will, and will procure and ensure that during the term of the Irrevocable Undertaking:

- (i) Best Approach and Ms. Loretta Lee will, so far as permitted under the relevant laws and regulations (including the Takeovers Code), exercise all voting rights attached to the IU Shares in favour of all the resolutions necessary to implement the Proposal and any such other matters in connection therewith at the EGM to be convened for the purposes of passing the necessary resolutions for, among others, the implementation of the Proposal, and not to (a) encourage, solicit or promote offers by any person other than the Offeror to acquire any Shares (whether by way of an offer, scheme of arrangement or otherwise), accept any other offers involving the IU Shares; (b) sell, transfer or otherwise dispose of or pledge the IU Shares (save for the Pledged Shares); (c) purchase or acquire any other Shares without the prior written consent of Offeror; or (d) take any actions which may adversely affect or impede giving effect to the Scheme; and
- (ii) Ms. Loretta Lee will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her.

On the assumption that (i) no further Shares will be issued before the Record Date, (ii) no Share Option is granted under the Share Option Scheme before the Record Date; and (iii) taking into account Ms. Loretta Lee will not exercise her Share Options and will accept the Option Offer, the amount of cash required to implement the Proposal and the Option Offer would be approximately HK\$11,100,472,490.10 and HK\$127,500, respectively, with a total amount of approximately HK\$11,100,599,990.10.

B. The Scheme

1. Information on the Group

1.1 Business

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1381). The principal activity of the Company is investment holding. The principal activities of the Group are the operation and management of waste-to-energy plants, provision of environmental hygiene and related services and integrated smart city management services across several regions in the PRC.

1.2 Financial information

Financial performance

Set out below is a summary of the consolidated financial results of the Group for each of the year ended 31 December 2022 (“FY2022”), 31 December 2023 (“FY2023”) and 31 December 2024 (“FY2024”) as extracted from the annual reports of the Company for the year ended 31 December 2023 (the “2023 Annual Report”) and 31 December 2024 (the “2024 Annual Report”) respectively.

	For the year ended 31 December			
	2024	2023	2023	2022
	(note)	(Restated) (note)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Continuing operations				
Revenue	4,198,331	4,960,197	4,980,160	8,246,645
Cost of sales	(2,172,533)	(2,883,354)	(2,900,661)	(5,717,624)
Gross profit	2,025,798	2,076,843	2,079,499	2,529,021
Gross margin (%)	48.25%	41.87%	41.76%	30.67%

	For the year ended 31 December			
	2024	2023	2023	2022
	(note)	(Restated) (note)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
General and administrative expenses	(654,264)	(632,476)	(658,312)	(580,010)
Other income	276,103	220,842	220,954	215,875
Other (losses)/gains, net	(44,973)	2,619	2,537	(108,163)
Operating profit	1,602,664	1,667,828	1,644,678	2,056,723
Interest income	19,018	18,081	18,133	14,500
Interest expense	(674,250)	(675,900)	(675,928)	(614,284)
Interest expense, net	(655,232)	(657,819)	(657,795)	(599,784)
Share of net profits of associates and joint ventures	158,236	153,889	153,390	189,934
Profit before income tax	1,105,668	1,163,898	1,140,273	1,646,873
Income tax expense	(167,331)	(120,562)	(119,746)	(287,410)
Profit from continuing operations	938,337	1,043,336	1,020,527	1,359,463
Discontinued operation				
Loss from discontinued operation	(58,338)	(22,809)	—	—
Profit for the year	879,999	1,020,527	1,020,527	1,359,463
Profit attributable to equity holders of the Company from continuing operations	923,593	1,022,459	1,001,264	1,332,805
Loss attributable to equity holders of the Company from discontinued operation	(57,455)	(21,195)	—	—
Net profit attributable to equity holders of the Company	866,138	1,001,264	1,001,264	1,332,805

Note: On 22 July 2024, the Group entered into a sale and purchase agreement with Best Approach in relation to the Smart Parking Disposal, pursuant to which the Group conditionally agreed to sell the entire 100% equity interests in Canvest Technology. The underlying assets to be disposed of are all smart car parking projects located in several regions in the PRC held by Canvest Technology through its subsidiaries and joint venture. The smart car parking business is classified as “discontinued operation” and its net results for FY2024 and the comparatives are presented separately as one-line item below net profit of the continuing operations.

i. Revenue

As advised by the Management, the Group’s revenue is primarily generated from three key revenue streams: (i) operations, including power sales, waste treatment and environmental hygiene and other services income; (ii) project construction services; and (iii) finance income from service concession arrangements. Further details are set out below:

	For the year ended 31 December			
	2024	2023	2023	2022
		(Restated)		
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	4,198,331	4,960,197	4,980,160	8,246,645
— Revenue from power sales	2,543,934	2,416,634	2,416,634	2,399,495
— Waste treatment fee	1,031,644	1,013,027	1,013,027	1,087,176
— Environmental hygiene and other services income	414,800	322,188	342,151	227,001
— Revenue from project construction services	22,451	1,018,266	1,018,266	4,360,980
— Finance income from service concession arrangements	185,502	190,082	190,082	171,993

For FY2023 (without considering the effects of discontinued operations), the Group recorded revenue of approximately HK\$4,980.16 million, representing a decrease by approximately 39.61% as compared to approximately HK\$8,246.65 million for FY2022. As set out in the 2023 Annual Report, the decrease in total revenue was mainly due to a decrease of approximately 76.65% in revenue from the provision of construction services, which amounted to approximately HK\$1,018.27 million for FY2023 as compared to approximately HK\$4,360.98 million for FY2022. We also noted that among the amount of revenue from provision of construction services for FY2023 of approximately HK\$1,018.27 million, a significant portion amounting to approximately HK\$997.20 million had already been recorded during the first half of 2023. The decrease in revenue from the provision of construction services for FY2023 was mainly due to the reason that

most of the waste-to-energy (“WTE”) projects had been put into operation in 2022 and the WTE industry had entered a mature stage with fewer new projects, with only a few construction works being carried out during the second half of 2023.

On the other hand, the revenue relating to operations, including power sales, waste treatment and environmental hygiene and other services income (without considering the effects of discontinued operations), amounted to approximately HK\$3,771.81 million in total for FY2023, which increased by approximately 1.57% as compared to approximately HK\$3,713.67 million for FY2022. As advised by the Management, the increase in revenue relating to operations was mainly attributable to additional WTE projects and environmental hygiene projects under operation in FY2023. In addition, the finance income from service concession arrangements was approximately HK\$190.08 million for FY2023, representing an increase by approximately 10.52% as compared to approximately HK\$172.00 million for FY2022. As advised by the Management, the increase in finance income from service concession arrangements was mainly attributable to the increase in average balance of receivables under service concession arrangements in FY2023, which was because of the commencement of operation of certain WTE projects completed during FY2022 leading to a larger balance of receivables being accumulated under service concession arrangements.

For FY2024, the Group recorded revenue from continuing operations of approximately HK\$4,198.33 million, representing a decrease of approximately 15.36% as compared to approximately HK\$4,960.20 million for FY2023. According to the 2024 Annual Report, such decline in revenue was primarily due to the decrease in the Group’s construction revenue during FY2024 as most of the Group’s WTE projects are now in operation. Such decrease was partially offset by an increase in revenue related to operations, including power sales, waste treatment and environmental hygiene and other services income during FY2024. The revenue related to operations was approximately HK\$3,990.38 million in total for FY2024, representing an increase of approximately 6.36% as compared to approximately HK\$3,751.85 million for FY2023. As advised by the Management, such increase was mainly attributable to an increase in revenue generated from power sales (which was mainly due to increase in volume of waste treated) and the provision of environmental hygiene and other services (which was mainly due to additional environmental hygiene projects under operation in FY2024).

ii. Gross profit and gross profit margin

For FY2023, the gross profit of the Group (without considering the effects of discontinued operations) was approximately HK\$2,079.50 million, representing a decrease of approximately 17.77% as compared to approximately HK\$2,529.02 million for FY2022. According to the 2023 Annual Report, such decline in gross profit was primarily due to the decrease in revenue from project construction services. For FY2023, the gross profit margin of the Group (without considering the effects of discontinued operations) was approximately 41.76%, as compared to approximately 30.67% for FY2022, representing an increase by approximately 11.09 percentage points. As advised by the Management, the provision of project construction services have a lower gross profit margin as compared to other revenue streams, therefore, the reduction in construction projects in FY2023 led to the increase in gross profit margin.

For FY2024, the gross profit of the Group was approximately HK\$2,025.80 million, representing a decrease of approximately 2.46% as compared to approximately HK\$2,076.84 million for FY2023. As advised by the Management, such decrease in gross profit was mainly attributable to the decrease in revenue generated from the provision of construction services as discussed above. The gross profit margin of the Group increased from approximately 41.87% for FY2023 to approximately 48.25% for FY2024. According to the 2024 Annual Report, such increase in profit margin was primarily attributable to the increase in the share of power sales and waste treatment operations, which has a higher gross profit margin.

iii. General and administrative expenses

As set out in the 2023 Annual Report, the general and administrative expenses of the Group mainly comprise employee and related benefit expenses for administrative personnel, promotion, entertainment and travelling expenses, depreciation and amortisation, research and development expenses and office expenses. For FY2023, the general and administrative expenses of the Group (without considering the effects of discontinued operations) were approximately HK\$658.31 million, representing an increase of approximately 13.50% from approximately HK\$580.01 million for FY2022. According to the 2023 Annual Report and as advised by the Management, such increase was mainly attributable to (i) additional WTE projects under operation, leading to increase in administrative staff and the corresponding staff costs; and (ii) the increase in research and development

expenses in technology and technological innovation for enhancing the Group's core competitiveness in the solid waste management industry.

For FY2024, the general and administrative expenses of the Group were approximately HK\$654.26 million, representing an increase of approximately 3.44% from approximately HK\$632.48 million for FY2023. According to the 2024 Annual Report, such increase was primarily due to the additional WTE projects under operation, and increase in research and development expenses for innovation and digitalization.

iv. Other income

According to the 2023 Annual Report and the 2024 Annual Report, other income of the Group primarily comprises (i) value-added tax ("VAT") refunds, (ii) sales of bottom ash and scrap materials, (iii) revenue from non-hazardous waste handling, and (iv) government subsidies. For FY2023, the Group recorded other income (without considering the effects of discontinued operations) of approximately HK\$220.95 million, representing an increase of 2.35% from approximately HK\$215.88 million for FY2022. According to the 2023 Annual Report, such increase was primarily due to an increase in sales of bottom ash and scrap materials of approximately HK\$8.96 million, representing an increase of approximately 25.01% as compared to FY2022, partially offset by a decrease of approximately HK\$1.45 million in government subsidies as compared to FY2023.

For FY2024, the Group recorded other income of approximately HK\$276.10 million, representing an increase of approximately 25.02% as compared to approximately HK\$220.84 million for FY2023. Such increase was primarily attributable to an increase in VAT refund of approximately HK\$34.43 million due to the additional operating plants that were entitled to VAT refund.

v. Other (losses)/gains, net

For FY2023, the Group recorded other net gains (without considering the effects of discontinued operations) of approximately HK\$2.54 million as compared to other net losses of approximately HK\$108.16 million for FY2022. According to the 2023 Annual Report, such change was mainly due to (i) a reduction in the net exchange losses from approximately HK\$108.15 million for FY2022 to approximately HK\$9.25 million for FY2023, as a result of larger depreciation of RMB against Hong Kong in

FY2022 as compared to that in FY2023; and (ii) gains on disposal of property, plant and equipment for approximately HK\$5.33 million for FY2023, as compared to nil for FY2022.

For FY2024, the Group's other net losses amounted to approximately HK\$44.97 million, as compared to a gain of approximately HK\$2.62 million for FY2023. According to the 2024 Annual Report, such change was mainly due to the increase in net exchange losses from approximately HK\$9.25 million for FY2023 to approximately HK\$53.45 million for FY2024. Such increase in net exchange losses was mainly due to an increase in offshore RMB-denominated outstanding balances due from group companies in FY2024 which RMB had depreciated against HKD during FY2024.

vi. Operating profit and net profit/loss

The Group's operating profit (without considering the effects of discontinued operations) amounted to approximately HK\$1,644.68 million for FY2023, representing a decrease of approximately 20.03% as compared to approximately HK\$2,056.72 million for FY2022. The Group recorded net profit (without considering the effects of discontinued operations) of approximately HK\$1,020.53 million for FY2023 as compared to net profit of approximately HK\$1,359.46 million for FY2022, representing a decrease of approximately 24.93%. The decrease in operating profit and net profit was mainly due to the fluctuations in income and expenses as explained above.

The Group's operating profit amounted to approximately HK\$1,602.66 million for FY2024, representing a decrease of approximately 3.91% as compared to approximately HK\$1,667.83 million for FY2023. The Group recorded net profit of approximately HK\$880.00 million for FY2024 as compared to approximately HK\$1,020.53 million for FY2023. The decrease in operating profit and net profit was mainly due to the fluctuations in income and expenses as explained above.

Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2022, 31 December 2023 and 31 December 2024 as extracted from the 2023 Annual Report and the 2024 Annual Report respectively:

	As at 31 December		
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Non-current assets	20,681,936	22,115,092	21,341,396
— Right of-use of assets	233,014	452,272	475,737
— Property, plant and equipment	1,486,687	1,574,824	1,158,951
— Intangible assets	14,256,874	15,015,890	14,569,667
— Interests in associates and joint ventures	1,467,697	1,595,903	1,461,723
— Deferred tax asset	—	2,335	—
— Long-term deposits and prepayments	239,842	336,326	432,445
— Receivables under service concession arrangements	2,997,822	3,137,542	3,242,873
Current assets	5,699,693	4,960,064	4,478,785
— Inventories	30,052	31,625	30,569
— Other receivables, deposits and prepayments	547,319	823,804	876,949
— Receivables under service concession arrangements	271,957	277,098	266,752
— Trade and bills receivables	2,594,599	1,828,593	1,316,320
— Restricted deposits	102,216	101,296	124,626
— Time deposits	—	—	22,500
— Cash and cash equivalents	1,806,734	1,897,648	1,809,883
— Assets classified as held-for-sale	346,816	—	31,186
Total assets	26,381,629	27,075,156	25,820,181
Current liabilities			
— Trade and other payables	1,769,311	2,306,402	2,014,727
— Current income tax liabilities	64,430	48,103	62,280
— Bank borrowings	5,322,985	2,448,179	1,743,809
— Lease liabilities	—	—	2,751
— Deferred government grants	12,032	12,294	12,473
— Liabilities relating to assets classified as held-for-sale	16,460	—	—

	As at 31 December		
	2024	2023	2022
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Non-current liabilities			
— Bank borrowings	7,962,105	11,496,916	11,838,520
— Deferred income tax liabilities	859,051	908,020	941,508
— Deferred government grants	159,030	174,800	189,807
— Other non-current liabilities	14,306	11,765	10,400
Total liabilities	16,179,710	17,406,479	16,816,275
Net assets	10,201,919	9,668,677	9,003,906
Net assets attributable to equity holders of the Company (“NAV”)	9,847,209	9,298,523	8,703,034
NAV per Share (HK\$) (<i>Note</i>)	4.04	3.81	3.57

Note:

Figures of NAV per Share are calculated based on (i) the NAV; and (ii) the total issued Shares of the Company as at the respective time.

The Group recorded total assets of approximately HK\$27,075.16 million as at 31 December 2023, which mainly included (i) approximately HK\$15,015.89 million of intangible assets; (ii) approximately HK\$1,828.59 million of trade and bill receivables; (iii) approximately HK\$1,897.65 million of cash and cash equivalents; and (iv) approximately HK\$3,414.64 million of receivables under service concession arrangements. The Group's total assets as at 31 December 2023 represented an increase of approximately 4.86% as compared to approximately HK\$25,820.18 million as at 31 December 2022. Such increase was primarily due to the increase in property, plant and equipment and trade and bills receivables. According to the 2023 Annual Report, the increase in property, plant and equipment of approximately 35.88% as compared to that as at 31 December 2022 was mainly attributable to the increase in construction in progress. Also, as advised by the Management, the increase in trade and bills receivables of approximately 38.92% as compared to that as at 31 December 2022 was mainly attributable to the increase in waste treatment fee receivables as the local government's ability to pay had been hindered by the unfavourable macroeconomic factors. As at 31 December 2024, the Group recorded total assets of approximately HK\$26,381.63 million, which mainly included (i) approximately HK\$14,256.87 million of intangible assets; (ii) approximately HK\$2,594.60 million of trade and bills receivables; (iii) approximately HK\$1,806.73 million of cash and cash equivalents; and (iv) approximately HK\$3,269.78 million of

receivables under service concession arrangements. The Group's total assets as at 31 December 2024 represented a decrease of approximately 2.56% as compared to that as at 31 December 2023. Such decrease was primarily due to the decreases in intangible assets and other receivables, deposits and prepayments, while being partially offset by the increase in trade and bills receivables. According to the 2024 Annual Report, the decrease in intangible assets of approximately 5.05% as compared to that as at 31 December 2023 was mainly due to the amortisation of the concession rights. In addition, as advised by the Management, the decrease in other receivables, deposits and prepayments was primary due to utilisation of deductible input VAT. As advised by the Management, the increase in trade and bills receivables of approximately 41.89% as compared to that as at 31 December 2023 was mainly attributable to the increase in waste treatment fee receivables.

The Group recorded total liabilities of approximately HK\$17,406.48 million as at 31 December 2023, which mainly included (i) approximately HK\$13,945.10 million of bank borrowings; and (ii) approximately HK\$2,306.40 million of trade and other payable. The Group's total liabilities as at 31 December 2023 represented an increase of approximately 3.51% as compared to approximately HK\$16,816.28 million as at 31 December 2022. Such increase was primarily due to the increases in bank borrowings and trade and other payables. According to the 2023 Annual Report, the increase in bank borrowings of approximately 2.67% as compared to that as at 31 December 2022 was primary attributable to the increase in short-term unsecured revolving loan. According to the 2023 Annual Report, the increase in trade and other payables of approximately 14.48% as compared to that as at 31 December 2022 was primary attributable to the increase in accruals and other payables. As at 31 December 2024, the Group recorded total liabilities of approximately HK\$16,179.71 million, which mainly included (i) approximately HK\$13,285.09 million of bank borrowings; and (ii) approximately HK\$1,769.31 million of trade and other payables. The Group's total liabilities as at 31 December 2024 represented a decrease of approximately 7.05% as compared to that as at 31 December 2023. Such decrease was primarily due to a decrease in trade and other payables. According to the 2024 Annual Report, the decrease in trade and other payables of approximately 23.29% as compared to 31 December 2023 was mainly due to the decrease in construction payables.

The Group recorded a NAV of approximately HK\$9,298.52 million, equivalent to approximately HK\$3.81 per Share, as at 31 December 2023, representing an increase of approximately 6.84% as compared to approximately HK\$8,703.03 million, equivalent to approximately HK\$3.57 per Share, as at 31 December 2022. The Group recorded a NAV of approximately HK\$9,847.21 million as at 31 December 2024, representing an increase of approximately 5.90% as compared to that as at 31 December 2023. The Group's NAV equal to approximately HK\$4.04 per Share as at 31 December 2024. The aforesaid increases in NAV were mainly due to the profit generated in corresponding periods.

Dividends

Set out below is a summary of the dividends declared by the Company and the dividend yield analysis:

	Year ended 31 December		
	2024	2023	2022
Dividend per Share	Nil	HK\$0.081	HK\$0.109
Closing price of the Share at year end (Note 1)	HK\$4.59	HK\$3.73	HK\$4.21
Dividend yield (Note 2)	Not applicable	2.17%	2.59%

Notes:

1. Sourced from Bloomberg.
2. Figures of dividend yield are calculated by dividing the dividend per Share with the closing price of the Share at the end of the corresponding year.

During FY2022, the Company declared a dividend of HK\$0.109 per Share, whereas during FY2023, the Company declared a dividend of HK\$0.081 per Share. For FY2024, the Board did not recommend the payment of a final dividend.

The dividend yields were approximately 2.17% and 2.59% for each of FY2023 and FY2022 respectively. According to Bloomberg terminal, the 12-month dividend yields of Hang Seng Index as at 31 December 2023 and 2022 were approximately 3.37% and 4.06% respectively. The dividend yields of the Company were lower than that of the Hang Seng Index. The Proposal provides an opportunity for the Shareholders to exit at the Cancellation Price and re-invest into other companies with a higher dividend yields if they so wish.

As set out in the section headed “2. TERMS OF THE PROPOSAL” of the Scheme Document, as at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses or is withdrawn (as the case may be).

Material change and the Disposals

According to the section headed “4. MATERIAL CHANGE” of Appendix I to the Scheme Document, the Directors have confirmed that, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date.

The Company has entered into the sale and purchase agreements with Best Approach in relation to the Disposals, namely the Land Disposal, the Smart Parking Disposal and the Office Building Disposal. The considerations for the Disposals were determined based on, among other things, valuation reports of the subject assets in respect of the Disposals, and such valuation reports are attached as Appendix II to the Scheme Document. According to the section headed “5. ADJUSTED NET ASSET VALUE” of Appendix I to the Scheme Document, the unaudited adjusted NAV (the “Adjusted NAV”), based on the audited NAV as at 31 December 2024 as adjusted by the market value of the assets and properties of the Group as at 28 February 2025 as set out in the valuation reports as contained in Appendix II to the Scheme Document, amounted to approximately HK\$9,839.5 million, representing a decrease of approximately 0.08% as compared to the audited NAV as at 31 December 2024. Based on a total of 2,439,541,169 issued Shares as at 31 December 2024, the Adjusted NAV per Share is approximately HK\$4.03.

1.3 Outlook

The primary activities of the Group involve the operation and management of waste-to-energy plants, the provision of environmental hygiene and related services, and integrated smart city management services across various regions in the PRC.

According to the 2023 Annual Report, the uncertainty of the macro-environment exerts certain pressure on the development of the environmental protection industry, which faces challenges such as market saturation and slowing growth. We have reviewed the “14th Five-Year Plan — Urban Domestic Waste Classification and Treatment Facilities Development Plan” (「十四五 — 城鎮生活垃圾分類和處理設施發展規劃」) (the “**Development Plan**”) published by the National Development and Reform Commission of the PRC in May 2021, and noted that the PRC government intends to ramp up efforts to bolster local waste incineration facilities. This initiative is expected to escalate competition within the waste management industry in China. According to the Development Plan, the PRC government targets the urban domestic waste incineration treatment capacity to account for about 65% by the end of 2025. In addition, according to the 2023 China Urban Construction Status Bulletin (「2023年中國城市建設狀況公報」) published by the Ministry of Housing and the Urban-Rural Development in October 2024, we noted that the incineration treatment capacity has reached 75.3% by the end of 2023 which surpassed the expectations, and it indicated that the WTE industry in China is approaching saturation. According to the Development Plan, the PRC government also committed and will implement a comprehensive domestic waste classification system to ensure a significant reduction in waste generation, coupled with the efficient utilization of resources during the period from the year of 2021 to the year of 2025. As set out in the Development Plan, the PRC government expects to elevate the national urban domestic waste resource utilization rate to approximately 60%. This strategic objective is expected to result in a moderation of the growth trajectory for waste management enterprises operating in the PRC. As set out in the 2024 Annual Report, in order to respond to the challenges from the structural transformation of the WTE market, the Group has actively responded to the change from construction-oriented to operations and service-oriented, showcasing its strong resilience and flexibility.

Furthermore, as mentioned in the 2024 Annual Report, as far as the WTE incineration market is concerned, it has shifted from an incremental market to an existing market due to prevailing saturation. The number and scale of tender opening projects further decreased during the year of 2024. During the year of 2024, the PRC government continued to pursue green transformation in its economy and society. Guided by the goals of “Carbon Peak” and “Carbon Neutral”, it has made coordinated efforts to cut carbon emissions, reduce pollution, expand green development, and pursue economic growth. In addition, series of policies including the “Opinions on Accelerating the Construction of a Waste Recycling System” (「關於加快構建廢棄物循環利用體系的意見」), put emphasis on the circular economy principles of reduce, reuse and resource recovery in expediting the establishment of a waste recycling system across all sectors and fields..

Overall, the Management is of the view, and we concur, that the WTE industry in the PRC is facing challenges such as market saturation and slowing growth, mainly due to macroeconomic factors and increasing competition driven by government initiatives. In addition, the PRC government aims for significant improvements in waste management and resource utilization over the coming years, which may impact the growth trajectories of the Group. Overall, the waste management industry is dealing with a challenging environment marked by regulatory shifts and competitive pressures.

2. *Information on the Offeror and intention of the Offeror*

Information on the Offeror

To provide Independent Shareholders with basic information on the background of the Offeror (i.e. Grandblue), set out below is the key information on the Offeror as disclosed in the explanatory memorandum (the “**Explanatory Memorandum**”) as contained in the Scheme Document:

Grandblue is an investment holding company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, save for the Proposal, Grandblue had not engaged in any business activities. Grandblue is an indirect wholly owned subsidiary of Grandblue Environment, a joint stock limited company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Shanghai stock code: 600323).

Grandblue Environment is focused on the environmental service industry. Its business scope covers solid waste treatment, energy, water supply and drainage. As at the Latest Practicable Date, Grandblue Environment did not have any controlling shareholder (as defined in the Listing Rules). As at 31 December 2024, based on the public information available to Grandblue, the five largest shareholders of Grandblue Environment are Foshan Nanhai Water Supply Group Co., Ltd.* (佛山市南海供水集團有限公司), Nanhai Holding, SDIC Power Holdings Co., Ltd.* (國投電力控股股份有限公司), Foshan Nanhai Urban Construction Investment Co., Ltd.* (佛山市南海城市建設投資有限公司) and National Social Security Fund 101 Portfolio* (全國社保基金一零一組合), holding approximately 17.15%, 15.62%, 8.10%, 4.96% and 1.75% of the equity interest in Grandblue Environment, respectively.

Nanhai Hengjian Fund is a limited partnership enterprise established in the PRC. Nanhai Hengjian Fund is held as to 50%, 49.95% and 0.05% by Nanhai Holding, Guangdong Advanced Manufacturing Industry and Hengjian Asset Management, respectively. As at the Latest Practicable Date, the general partner of Nanhai Hengjian Fund is Hengjian Asset Management. Hengjian Asset Management is wholly owned by Hengjian Holding. Hengjian Holding is wholly owned by the Guangdong Province SASAC. As at the Latest Practicable Date, the limited partners of Nanhai Hengjian Fund are Nanhai Holding and Guangdong Advanced Manufacturing Industry. Nanhai Holding is 90% and 10% owned by Foshan Nanhai State-owned Assets Supervision and Administration Bureau and Department of Finance of Guangdong Province, respectively. Guangdong Advanced Manufacturing Industry is an indirect wholly-owned fund of Hengjian Holding. The principal business of Nanhai Hengjian Fund is investment management.

As at the Latest Practicable Date, the Offeror, Nanhai Hengjian Fund and their respective ultimate beneficial owners did not hold any Shares or other securities of the Company and are third parties independent of the Company and its connected persons (other than that Best Approach, Ms. Loretta Lee, Mr. CT Lai and Mr. KM Lai are Offeror Concert Parties).

Intention of the Offeror

Set out below is the intention in respect of Offeror as disclosed in the Explanatory Memorandum:

It is the intention of the Offeror that the Group will continue to carry on its current business. The Offeror does not have plans to make any major changes to the current business or operations of the Group (including any redeployment of fixed assets of the Group). The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group, except for staff movements which are part of normal conduct of business. The Offeror will continue to monitor all business opportunities in relation to the Group as they arise from time to time.

3. Reasons for and benefits of the Proposal

- (i) *The Proposal will create synergy and enhance competitive strengths of the Company and will allow the Company more flexibility in implementing its long-term growth strategy*

As mentioned in the Explanatory Memorandum, Grandblue Environment is a listed company in the PRC focused on the environmental service industry. Its business scope covers solid waste treatment, energy, water supply and drainage. Grandblue Environment is one of the top 10 waste incineration power generation enterprises in terms of grid-connection installed capacity, waste disposal capacity and power generation capacity in the PRC and one of the top 10 influential enterprises in solid waste treatment in the PRC. The Group is a leading provider of integrated urban environmental protection and sanitation solutions, principally engaged in the operation and management of WTE plants, provision of environmental hygiene and related services and integrated smart city management services. As at 31 December 2023, the Group had secured 36 WTE projects with a total daily municipal solid waste processing capacity of approximately 54,540 tonnes and the operating daily municipal solid waste processing capacity reached approximately 43,690 tonnes.

As the Company and Grandblue Environment are both engaging in the environmental protection related business with a high degree of synergy in business area, business model, operation management and control capabilities, the Offeror believes that the Proposal will be able to create synergy and enhance competitive strengths and facilitate the Offeror to become a leading enterprise in solid waste treatment and WTE business through horizontal industrial integration after the completion of the Proposal.

As mentioned in the Explanatory Memorandum, the implementation of the Proposal will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits, free from regulatory constraints from the perspective of managing a publicly listed company, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company.

- (ii) *An opportunity for Scheme Shareholders to realise their investment at a premium*

During the period from 1 July 2022, being approximately two years prior to the date of the Rule 3.7 Announcement, up to and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$3.47 and HK\$5.24, respectively, with a simple average closing price of approximately HK\$4.13. The Cancellation Price of HK\$4.90 per Share is higher than closing prices of the Shares in 493 out of 505 trading days during the aforesaid period, and is also higher than the NAV per Share of the Company as at 31 December 2023 and 31 December 2024 and the Adjusted NAV per Share (detailed analysis is set out in the section headed “4. The Cancellation Price” in this letter). According to the Explanatory Memorandum, the Offeror believes that the Proposal provides the Scheme Shareholders an attractive exit premium and opportunity to realise their investment in return for cash, and redeploy into other investment opportunities that they may be considered more attractive.

4. The Cancellation Price

As mentioned in the Explanatory Memorandum, the Cancellation Price has been determined on a commercial basis after taking into account, among others, the Offeror’s view of the Group’s business and future prospects, the recent and historical trading prices of the Shares on the Stock Exchange and the financial performance of the Group, with reference to other similar privatisation transactions in Hong Kong in recent years.

4.1 Cancellation Price comparison

The Cancellation Price of HK\$4.90 per Scheme Share represents:

- (i) a premium of approximately 20.69% over the closing price of HK\$4.06 per Share as quoted on the Stock Exchange on the last trading day prior to the publication of the Rule 3.7 Announcement;
- (ii) a premium of approximately 16.95% over the average closing price of approximately HK\$4.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (iii) a premium of approximately 20.85% over the average closing price of approximately HK\$4.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;

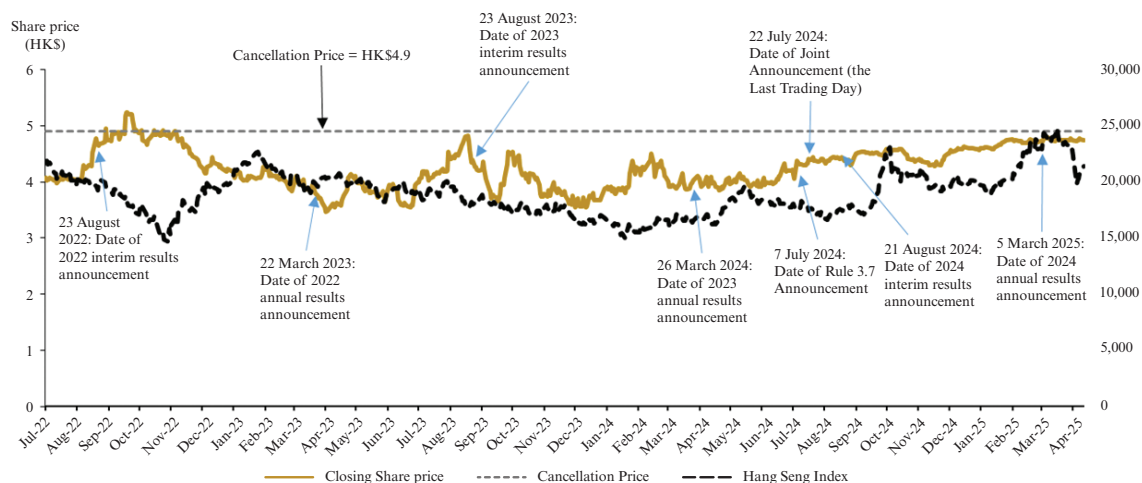
- (iv) a premium of approximately 21.77% over the average closing price of approximately HK\$4.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (v) a premium of approximately 21.78% over the average closing price of approximately HK\$4.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (vi) a premium of approximately 21.27% over the average closing price of approximately HK\$4.04 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (vii) premium of approximately 23.50% over the average closing price of approximately HK\$3.97 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (viii) a premium of approximately 11.62% over the closing price of HK\$4.39 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ix) a premium of approximately 13.03% over the average closing price of approximately HK\$4.34 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (x) a premium of approximately 16.90% over the average closing price of approximately HK\$4.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- (xi) a premium of approximately 19.77% over the average closing price of approximately HK\$4.09 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (xii) a premium of approximately 21.00% over the average closing price of approximately HK\$4.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (xiii) a premium of approximately 19.96% over the average closing price of approximately HK\$4.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (xiv) a premium of approximately 23.08% over the average closing price of approximately HK\$3.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (xv) a premium of approximately 3.16% over the closing price of HK\$4.75 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (xvi) a premium of approximately 21.29% over the audited NAV per Share of approximately HK\$4.04 as at 31 December 2024, as mentioned in the sub-section headed “1.2 Financial information” of this letter above; and
- (xvii) a premium of approximately 21.59% over the Adjusted NAV per Share of approximately HK\$4.03 as mentioned in the sub-section headed “1.2 Financial information” of this letter above.

4.2 Historical price performance of the Shares

Set out below is a chart of the closing prices of the Shares during the period from 1 July 2022, being approximately two years prior to the date of the Rule 3.7 Announcement, up to and including the Latest Practicable Date (the “**Review Period**”) to illustrate the general trend of movement of the closing prices of the Shares. We consider that an approximate two-year period represents an appropriate period of time to provide a general overview

on the recent market performance of the Shares, and is fair and reasonable. The comparison of the Share price performance with Hang Seng Index and the Cancellation Price is as follows:



Source: Bloomberg

During the Review Period and up to the Last Trading Day, the Share price closed in a range of HK\$3.47 and HK\$5.24 per Share, with a simple average closing price of approximately HK\$4.13 per Share. Approximately 97% of the trading days during the Review Period (up to the Last Trading Day) saw a closing Share price below the Cancellation Price of HK\$4.9 per Share.

From July 2022 to mid-September 2022, the closing Share price demonstrated a general upward trend, and the performance of the Shares was generally in an opposite direction with the Hang Seng Index during the same period. On 23 August 2022, the Company published its interim results announcement for the six months ended 30 June 2022, showing an increase in profit of the Company of approximately 26.37% as compared to the six months ended 30 June 2021. Subsequently, the closing Share price increased from HK\$4.70 per Share on 23 August 2022 to HK\$5.24 per Share on 21 September 2022, reaching the highest closing Share price during the Review Period.

During the period from 26 September 2022 to 17 March 2023, the closing Share prices dropped from HK\$5.21 per Share to HK\$3.86 per Share, representing a decrease in closing Share prices of approximately 25.91% during this period. On 22 March 2023 (before the afternoon trading session), the Company released its annual results for the year ended 31 December 2022. The results indicated an increase in profit of the Group of approximately 3.05% as compared to the same period in 2021. The closing Share price rose to HK\$3.95 per Share on 22 March 2023 from HK\$3.89 per Share on the previous trading day (i.e., 21 March 2023). Since then, the

closing Share prices exhibited a general downward trend, and closed at HK\$3.47 per Share on 4 April 2023, reaching the trough of the Review Period. After reaching the trough, the closing Share price fluctuated between HK\$3.55 and HK\$4.13 during the period from 14 April 2023 to 28 June 2023.

From early July to mid-August 2023, the closing Share price rose significantly from HK\$4 per Share on 3 July 2023 to HK\$4.82 per Share on 21 August 2023, representing an increase in closing Share price of approximately 20.50% during this period. Before the afternoon trading session on 23 August 2023, the Company published its interim results announcement for the six months ended 30 June 2023. The results showed a decrease in profit of the Group of approximately 18.18% as compared to same period in 2022. Subsequently, the closing Share price dropped from HK\$4.56 per Share on 23 August 2023 to HK\$3.7 per Share on 13 September 2023. Afterward, the closing Share price rebounded and reached HK\$4.30 per Share on 5 October 2023. After the rebound, the closing Share price experienced a decline, and reached HK\$3.54 on 14 December 2023.

From early January 2024 to end of February 2024, the closing Share price fluctuated between HK\$3.79 per Share and HK\$4.50 per Share. On 26 March 2024, the Company published its 2023 annual results announcement, and indicated a decrease in profit of the Group of approximately 24.93% as compared to the same period in 2022. Subsequent to the publication of the 2023 annual results announcement, the closing Share price went up from HK\$3.89 per Share on 25 March 2024 to HK\$3.95 per Share on 26 March 2024. Since then, the closing Share price was generally on an upward trend and closed at HK\$4.2 on 28 June 2024.

Prior to the trading session on 8 July 2024, the Company published the Rule 3.7 Announcement. The closing Share price rose to HK\$4.38 per Share on 8 July 2024 from HK\$4.06 on the previous trading day. Subsequently, between the date of the Rule 3.7 Announcement and the Last Trading Day, the closing Share price fluctuated between HK\$4.30 per Share and HK\$4.41 per Share. After the trading hours on 22 July 2024, the Company published the Announcement, and the closing Share price rose to HK\$4.44 per Share on 23 July 2024.

During the period after the publication of the Announcement and until the Latest Practicable Date, the closing Shares price ranged between HK\$4.28 per Share and HK\$4.79 per Share, and closed at HK\$4.75 per Share as at the Latest Practicable Date.

Based on the above, in summary, we note that the closing Share prices were not stable and fluctuated during the Review Period, particularly from July 2022 to early September 2023. Following this period and until the publication of the Rule 3.7 Announcement, the movement of the closing Share prices was generally in line with the Hang Seng Index. It is also worth mentioning that approximately 97% of the trading days during the Review Period (up to the Last Trading Day) recorded closing Share prices below the Cancellation Price of HK\$4.9 per Share. Our opinion on the fairness and reasonableness of the Cancellation Price is set out in the sub-section headed “4.6 Our View on the Cancellation Price” below.

4.3 Trading liquidity analysis

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and the total issued Shares in public float of the Company during the Review Period:

	Monthly total trading volume of the Shares (Note 1)	Approximate percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Approximate percentage of the monthly total trading volume of the Shares to the total issued Shares in public float (Note 3)
2022			
July	13,754,096	0.56%	2.19%
August	59,992,262	2.46%	9.54%
September	85,047,794	3.49%	13.53%
October	29,278,093	1.20%	4.66%
November	23,726,300	0.97%	3.77%
December	39,621,300	1.62%	6.30%
2023			
January	13,923,607	0.57%	2.21%
February	22,523,982	0.92%	3.58%
March	13,327,896	0.55%	2.12%
April	12,711,130	0.52%	2.02%
May	5,400,683	0.22%	0.86%
June	16,987,447	0.70%	2.70%
July	21,087,694	0.86%	3.35%
August	46,858,637	1.92%	7.45%
September	14,490,209	0.59%	2.30%
October	16,840,869	0.69%	2.68%
November	49,899,811	2.05%	7.94%

	Monthly total trading volume of the Shares (Note 1)	Approximate percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Approximate percentage of the monthly total trading volume of the Shares to the total issued Shares in public float (Note 3)
December	18,671,913	0.77%	2.97%
2024			
January	15,844,675	0.65%	2.52%
February	11,375,769	0.47%	1.81%
March	20,443,000	0.84%	3.25%
April	17,649,757	0.72%	2.81%
May	36,677,414	1.50%	5.83%
June	34,687,000	1.42%	5.52%
July	148,454,775	6.09%	23.61%
August	67,840,000	2.78%	10.79%
September	79,648,550	3.26%	12.67%
October	69,677,470	2.86%	11.08%
November	51,507,026	2.11%	8.19%
December	32,617,640	1.34%	5.19%
2025			
January	40,227,842	1.65%	6.40%
February	37,580,082	1.54%	5.98%
March	60,613,092	2.48%	9.64%
From 1 April 2025 to the Latest Practicable Date	29,412,184	1.20%	4.67%

Notes:

1. Source: Bloomberg.
2. the calculation is based on the monthly total trading volume of the Shares divided by the total issued Share of the Company at the end of each month (or at the Latest Practicable Date for April 2025).
3. the calculation is based on the monthly total trading volume of the Shares divided by the total issued Shares in public float at the end of each month (or at the Latest Practicable Date for April 2025).
4. Figures are subject to rounding.

From the table above, in general, we note that the monthly total trading volume of the Shares (as a percentage to the total issued Shares in public float) was not consistently active during the Review Period. During the Review Period and up to June 2024 (i.e., prior to the publication of the Rule 3.7 Announcement and the Announcement), the percentages of monthly total trading volumes of the Shares to the total issued Shares in public float were below 10%, except for the month of September 2022. In September 2022, it is noted that trading with relatively large volume took place on 14 September 2022 and the total trading volume on 14 September 2022 was approximately 9.23 million Shares, which was substantially higher than the average daily trading volume of approximately 2.06 million Shares during the Review Period.

The percentages of monthly total trading volumes of the Shares to the total issued Shares in public float was approximately 23.61% for July 2024. Also, the trading volumes around the Rule 3.7 Announcement and the Announcement were significant, suggesting they were affected by the Proposal. Subsequently to the publication of the Announcement, the percentages of monthly total trading volumes of the Shares to the total issued Shares in public float maintained above 10% during July to October 2024, which was possibly due to the Proposal.

Given the thin trading volume in the Shares in general during the Review Period, if the Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume subsequent to the Rule 3.7 Announcement and the Announcement may not, in our view, be sustained if the Proposal lapses. Therefore, the Cancellation Price provides an opportunity for the Shareholders, especially those holding a large block of Shares, to dispose of their holdings at a fixed cash price if they so wish.

4.4 Peer comparison analysis

According to the 2024 Annual Report, the Group's operations are generally operated and managed as a single segment, which is WTE project construction and operation in the PRC. To further evaluate the fairness and reasonableness of the Cancellation Price, we have conducted a research on the companies listed on the Stock Exchange which generated 50% or more of their revenue from WTE businesses in the PRC, based on information available from their latest published annual reports as at the date immediately preceding the Latest Practicable Date (the "**Comparable Companies**"). In assessing the fairness and reasonableness of the Cancellation Price, we have compared between the price-to-earnings ratio ("**P/E Ratio**") and the price-to-book ratio ("**P/B Ratio**") of the Group implied by the Cancellation Price against those of the Comparable Companies. The P/E Ratio and the P/B Ratio are the commonly adopted

trading multiple analyses to assess the valuation of companies/shares. In addition, as the P/E Ratio and P/B Ratio take into account the profitability and asset-scale of the Comparable Companies which engage in similar lines of businesses (i.e. the WTE businesses) as the Company, we consider such ratios appropriate for the purpose of our analysis of the Cancellation Price. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Group based on the above criteria. The comparison of the P/E Ratio and the P/B Ratio of the Scheme with those of the Comparable Companies is set out below.

Comparable Companies	Market Capitalisation (HK\$ million) (Note 1)	P/E Ratio (Note 1)	P/B Ratio (Note 1)
China Conch Venture Holdings Ltd (586.HK)	13,458.2	6.09	0.27
Beijing Enterprises Environment Group Limited (154.HK)	585.1	1.88	0.16
Dynagreen Environmental Protection Group Cp., Ltd. (1330.HK)	9,136.3	8.80	0.64
	Maximum	8.80	0.64
	Minimum	1.88	0.16
	Average	5.59	0.36
The Scheme	11,963.6 (Note 2)	12.89 (Note 3)	1.21 (Note 4)

Notes:

1. The market capitalisation, P/E Ratio and P/B Ratio of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date.
2. The implied market capitalisation of the Scheme is calculated by multiplying the Cancellation Price with the total issued Shares of 2,441,541,169 as at the Latest Practicable Date.
3. The implied P/E Ratio of the Scheme is calculated by dividing the Cancellation Price with the earnings per Share (as calculated by the Group's net profit attributable to the Shareholders for FY2024 divided by the total issued Shares as at 31 December 2024).
4. The implied P/B Ratio of the Scheme is calculated by dividing the Cancellation Price with the audited consolidated NAV per Share of approximately HK\$4.04 as at 31 December 2024 as set out in the sub-section headed "1.2 Financial information" of this letter.
5. Figures are subject to rounding.

As set out in the table above, the P/E Ratios of the Comparable Companies range from approximately 1.88 times to approximately 8.80 times, with an average of approximately 5.59 times. The implied P/E Ratio of the Cancellation Price of approximately 12.9 times is higher than those of the Comparable Companies.

The P/B Ratios of the Comparable Companies range from approximately 0.16 times to approximately 0.64 times, with an average of approximately 0.36 times. The implied P/B Ratio of the Cancellation Price of approximately 1.21 times is higher than those of the Comparable Companies.

4.5 Privatisation precedents

As part of the assessment of the fairness and reasonableness of the Cancellation Price, we have searched for the completed privatisation proposals of companies listed on the Main Board of the Stock Exchange, excluding privatisation proposals without cash alternative consideration, that were announced since 1 July 2023 (the “**Privatisation Precedents**”), which is approximately one year before the Rule 3.7 Announcement. We consider that the selection period of approximately one year is fair and reasonable to include an appropriate number of recent Privatisation Precedents for the purpose of our analysis of the Cancellation Price. Despite that the businesses, operations and prospects of the Company are not the same as the subject companies of the Privatisation Precedents, the Privatisation Precedents can demonstrate the market practices of similar transactions during the selection period and we consider that such information is meaningful for the purpose of our analysis.

The table below illustrates the premia/discounts represented by the cancellation/offer price over/to the respective last trading day and respective last 5 days, 10 days, 30 days and 60 days average share prices in respect of such privatisation proposals. The Privatisation Precedents set out below provide a comparison between the cancellation/offer price and the then prevailing market prices per share of successful privatisation proposals conducted by different ways. We have compared the Scheme with the Privatisation Precedents in terms of their historical share price comparison for different periods to illustrate the market sentiments towards successful privatisation proposals, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. As such market sentiments towards successful privatization proposals can be illustrated through the comparison between the cancellation/offer price and the then prevailing market prices per share, we consider the Privatisation Precedents an appropriate basis in assessing the fairness and reasonableness of the Cancellation Price. The Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the said criteria, a summary of which is set out in the table below.

Date of announcement (note 2)	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over (note 1)					Premium or (discount) represented by cancellation/offer price over/to the latest NAV per share as disclosed in the respective scheme/offer document (note 4)
		Last full trading day (note 3)	5-trading day (note 3)	10-trading day (note 3)	30-trading day (note 3)	60-trading day (note 3)	
19 December 2024	Pentamaster International Limited (1665) (note 5)	25.0%	49.3%	53.6%	52.7%	49.7%	32.6%
10 December 2024	Fosun Tourism Group (1992)	95.0%	112.1%	112.7%	111.2%	109.1%	(27.4)%
22 November 2024	Ronshine Service Holding Co., Ltd (2207)	15.4%	9.9%	1.7%	(5.8)%	2.1%	(53.5)%
28 October 2024	Beijing Capital Grand Limited (1329)	46.6%	52.9%	55.7%	42.2%	45.4%	(53.8)%
14 October 2024	CM Hi-Tech Cleanroom Limited (2115)	17.9%	24.3%	27.2%	30.3%	38.9%	(3.2)%
2 September 2024	Doyen International Holdings Limited (668)	78.6%	81.5%	81.9%	81.8%	86.1%	(39.3)%
16 Jul 2024	SAMSON HOLDING LTD. (531)	77.8%	86.8%	101.5%	146.5%	182.1%	(47.1)%
12 Jun 2024	A8 New Media Group Limited (800)	162.8%	159.4%	168.3%	185.4%	189.7%	(48.1)%
27 May 2024	Huafa Property Services Group Company Limited (982)	30.6%	36.5%	40.2%	69.2%	81.3%	982.9%
29 Apr 2024	L'Occitane International S.A (973)	15.3%	9.9%	8.8%	11.9%	21.0%	598.2%
18 Apr 2024	Kin Yat Holdings Limited (638)	33.3%	43.4%	52.4%	51.5%	54.0%	(57.4)%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600)	17.2%	30.8%	34.1%	45.7%	47.6%	228.1%
11 Mar 2024	CIMC Vehicles (Group) Co., Ltd. (1839)	4.9%	7.5%	8.0%	8.6%	8.5%	(6.9)%
26 Jan 2024	Bank of Jinzhou Co., Ltd. (416)	0.0%	(0.6)%	(1.0)%	(0.4)%	11.7%	(71.9)%
15 Dec 2023	Vinda International Holdings Limited (3331)	13.5%	16.5%	17.4%	19.4%	21.8%	145.3%
14 Dec 2023	Sinosoft Technology Group Limited (1297)	29.4%	30.4%	31.2%	31.1%	22.6%	(78.8)%
4 Dec 2023	Weiqiao Textile Company Limited (2698)	104.7%	104.9%	102.7%	109.2%	140.6%	(78.3)%
6 Oct 2023	Haitong International Securities Group Limited (665)	114.1%	111.1%	108.2%	127.1%	122.6%	(39.3)%
6 Oct 2023	Pine Care Group Limited (1989)	(1.1)%	0.7%	0.9%	13.9%	7.6%	(7.9)%
15 Sep 2023	Lansen Pharmaceutical Holdings Limited (503)	26.8%	24.1%	22.6%	20.5%	15.1%	(22.1)%
1 Sep 2023	CST Group Limited (985)	61.3%	24.4%	21.4%	36.9%	(0.7)%	(60.7)%
	Maximum	162.8%	159.4%	168.3%	185.4%	189.7%	982.9%
	Minimum	(1.1)%	(0.6)%	(1.0)%	(5.8)%	(0.7)%	(78.8)%
	Average	46.1%	48.4%	50.0%	56.6%	59.9%	61.5%
	Median	29.4%	30.8%	34.1%	42.2%	45.4%	(39.3)%
7 Jul 2024	The Company	20.7%	17.8%	16.9%	20.8%	21.8%	21.29% (note 6) and 21.59% (note 7)

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The premia/discounts of the cancellation/offer price over/(to) the share price (averages) for the respective periods were calculated based on (i) the cancellation/offer price in relation to the privatisation proposal as disclosed in the subject announcement; and (ii) the historical share prices of the companies extracted from Bloomberg.
2. The date of the Rule 3.5 announcement
3. Premium/(discount) is up to and including the last full trading day of the shares prior to the publication of the respective Rule 3.5 announcement.
4. Premium/(discount) represented by cancellation/offer price over/to the then latest NAV per share, or reassessed/adjusted NAV per share (if available), as disclosed in the respective scheme/offer document.

For the case of Huafa Property Services Group Company Limited (“**Huafa Property**”), only comparison of cancellation price with total net assets value per share (but not attributable to the shareholders of Huafa Property) was included in the relevant scheme document. We have therefore calculated the premium of cancellation price over NAV per share based on the then latest published financial results of Huafa Property prior to the date of the relevant scheme document.

5. The shareholders of Pentamaster International Limited received a total of HK\$1.00 per scheme share, which include the cancellation price of HK\$0.93 per scheme share and the special dividend of HK\$0.07 per scheme share.
6. Based on the premium represented by the Cancellation Price over the NAV per Share as at 31 December 2024.
7. Based on the premium represented by the Cancellation Price over the Adjusted NAV per Share as mentioned in the sub-section headed “1.2 Financial information” of this letter.
8. Figures are subject to rounding differences.

As shown in the table above, the premia represented by the Cancellation Price over the last trading day, 5-day average, 10-day average, 30-day average and 60-day average fall within the range of the premia/discounts of the Privatisation Precedents. Despite that the premia represented by the Cancellation Price over the last trading day, 5-day average, 10-day average, 30-day average and 60-day average are below the median premia/discounts of the Privatisation Precedents, the premia represented by the Cancellation Price over the NAV per Share as at 31 December 2024 and the Adjusted NAV per Share of approximately 21.29% and 21.59%, respectively, are higher than the respective median premia/discounts of the Privatisation Precedents.

4.6 Our view on the Cancellation Price

Having considered that (i) the historical price performance of the Shares (in particular, the Cancellation Price of HK\$4.90 per Share is higher than closing prices of the Shares in most of the trading days during the Review Period); (ii) the Cancellation Price of HK\$4.90 per Share is higher than the NAV per Share of the Company as at 31 December 2024 as well as the Adjusted NAV per Share; (iii) the thin trading volume in the Shares during the Review Period; (iv) the implied P/E Ratio and implied P/B Ratio of the Cancellation Price are higher than those of the Comparable Companies; (v) the premia represented by the Cancellation Price over different periods fall within the range of the premia/discounts of the Privatisation Precedents; and (vi) the premia represented by the Cancellation Price over the NAV per Share as at 31 December 2024 and the Adjusted NAV per Share are with the range of premia/discount and higher than the median premia/discounts of those of the Privatisation Precedents, we are of the view that the Cancellation Price is fair and reasonable.

C. The Option Offer

As at the Latest Practicable Date, there were 250,000 outstanding Share Options granted under the Share Option Scheme, each relating to one Share with an exercise price of HK\$4.39. Under the Option Offer, the Offeror is offering holder of the outstanding Share Options the Option Offer Price, which represents the “see-through” price of HK\$0.51 (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each outstanding Share Option for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code.

According to the Board Letter, pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her.

Since the commencement of the Offer Period up to and including the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$4.28 and HK\$4.79 (the “**Offer Period Closing Price Range**”). The exercise price of HK\$4.39 of the Share Options fall within the aforesaid range of closing price of Shares. Based on the closing price of the Shares of HK\$4.75 as at the Latest Practicable Date, all Share Options were in-the-money.

Taking into account that (i) the Option Offer Price is based on the “see-through” price, being the Cancellation Price (which we consider to be fair and reasonable) minus the exercise price of the Share Options; (ii) if the Option Offer is not accepted, the unexercised Share Options will lapse upon the Scheme becoming effective and the Optionholder will enjoy no economic benefits; and (iii) the Cancellation Price is higher than the Offer Period Closing Price Range (which means accepting the Option Offer

with a “see-through” price of HK\$0.51 is potentially more attractive than exercising the Share Option and selling the Shares in the open market), we consider that the Option Offer Price is fair and reasonable.

Having considered the principal factors and reasons considered in the sections “A. THE PROPOSAL”, “B. THE SCHEME” and “C. THE OPTION OFFER”, we are of the opinion that the terms of the Option Offer, the Proposal and the Scheme are fair and reasonable.

D. The Rollover Arrangement

1. Background of the Rollover Arrangement

As mentioned in the Explanatory Memorandum, the Offeror proposes to allow Best Approach to retain the 176,388,620 Rollover Shares, representing approximately 7.22% of the total issued share capital of the Company after the Scheme becomes effective.

2. Information on Best Approach and its beneficial owners

As at the Latest Practicable Date, Best Approach held 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

According to the 2023 Annual Report, Ms. Loretta Lee has been an executive Director and the chairlady of the Company since 2014, and is also a director of certain subsidiaries of the Company. She joined the Group in November 2011 and is responsible for formulating the Group’s overall strategies, and making major corporate and operational decisions of the Group.

According to the 2023 Annual Report, Mr. KM Lai has been an executive Director and the deputy chairman of the Company since 2014 and is a director of certain subsidiaries of the Company. He is, alongside with Ms. Loretta Lee, responsible for formulating the Group’s overall strategies and making major corporate and operational decisions of the Group.

3. *Reasons and benefits for the Rollover Arrangement*

As at the Latest Practicable Date, Best Approach held approximately 54.70% of the total issued share capital of the Company. The Offeror is of the view that it is important for the Company to retain Best Approach as a Shareholder after the completion of the Scheme so that the Offeror can draw upon the experience and long-term involvement of Best Approach and its beneficial owners in the business and operations of the Company to ensure that the benefits of synergies and collaboration between the Offeror and the Company continue to be realised, which will enhance the competitiveness of the Offeror and the Company in the market and benefit the long-term sustainable development and growth of the Offeror and the Company.

4. *Conditions of the Rollover Arrangement*

The Rollover Arrangement will be terminated if (i) the Yuezhao Environmental Disposal is not completed within three months from the date of the Announcement and/or any of the Pre-Conditions (other than the Yuezhao Environmental Disposal) is not satisfied on or before the Pre-Conditions Long Stop Date; (ii) the Proposal and the Scheme do not become effective by the Long Stop Date; (iii) the Scheme is not sanctioned by the Grand Court; (iv) the requisite resolutions necessary to implement the Proposal are or any transaction disclosed in the Announcement that requires approval of the Shareholders is not approved at the EGM; (v) Best Approach and the Offeror mutually agree to terminate the Irrevocable Undertaking in writing; or (vi) the Proposal or Share Option Offer is withdrawn or lapses.

5. *Our view on the Rollover Arrangement*

The approval of the Rollover Arrangement by the Independent Shareholders at the EGM is a condition precedent to the implementation of the Proposal. If the Rollover Arrangement is not approved by the Independent Shareholders, the Proposal will not be implemented and the Scheme will not take effect. In view of that the terms of the Proposal and the Scheme are considered fair and reasonable, we also consider that the approval of the Rollover Arrangement, which is a prerequisite for the implementation of the Proposal, is in the interests of the Company and the Shareholders as a whole, and in the interests of the Independent Shareholders.

In addition, Best Approach is familiar with the Group's business (in particular, Best Approach is beneficially owned by Mr. KM Lai and Ms. Loretta Lee who are each a controlling Shareholder, executive Director and a senior management of the Company). Given the background of Best Approach and its beneficial owners, it is important for the Company to retain Best Approach as Shareholders after the Scheme becoming effective so that Best Approach and its beneficial owners will have incentives to continue to contribute to the future development and growth of the Group. Accordingly, we are of the opinion that the terms of the Rollover Arrangement are fair and reasonable.

E. Special Deal in Relation to the Disposals**1. Introduction***The Land Disposal*

On 22 July 2024 (after trading hours), Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司) (an indirect wholly-owned subsidiary of the Company) (“**Canvest Kewei**”) entered into a sale and purchase agreement with Best Approach (“**Canvest Kewei S&P Agreement**”), pursuant to which Canvest Kewei conditionally agreed to sell, and Best Approach conditionally agreed to purchase, the entire equity interests in Canvest Kewei Subsidiary for a total consideration of RMB135.0 million. Canvest Kewei Subsidiary is Shanghai Keda Chuangjia Environmental Protection Co., Ltd.* (上海科達創佳環保有限公司) (“**Shanghai Keda**”), which was incorporated on 27 September 2024 and is wholly-owned by Canvest Kewei. It is expected that immediately prior to the completion of the Land Disposal, the land use rights and the structures on the Land will be transferred to Shanghai Keda by Canvest Kewei.

The Smart Parking Disposal

On 22 July 2024 (after trading hours), the Company entered into a sale and purchase agreement with Best Approach, pursuant to which the Company conditionally agreed to sell and Best Approach conditionally agreed to purchase the entire equity interests in Canvest Technology (being a direct wholly-owned subsidiary of the Company) for a total consideration of HK\$30.0 million (“**Canvest Technology S&P Agreement**”). Upon completion, the Company will cease to own any direct or indirect interest in Canvest Technology.

Canvest Technology, through its subsidiaries, is principally engaged in the business of providing smart car parking solutions in the PRC.

The Office Building Disposal

On 22 July 2024 (after trading hours), Yi Feng Development Limited (“**Yi Feng**”, being a direct wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with Best Approach, pursuant to which Yi Feng conditionally agreed to sell and Best Approach conditionally agreed to purchase, the entire equity interests and shareholders’ loan in each of KK VII (BVI) Limited and KK VIII (BVI) Limited (being indirect wholly-owned subsidiaries of the Company) for a total consideration of HK\$165.0 million (“**KK S&P Agreement**”). Upon completion of the Office Building Disposal, both Yi Feng and the Company will cease to own any direct or indirect interest in each of KK VII (BVI) Limited and KK VIII (BVI) Limited.

2. *Information on the disposal assets*

(a) The Land Disposal

The underlying assets to be disposed of under the Land Disposal are the land use rights and structures on the Land situated at 1/5 of land in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC (中國上海市寶山區月浦鎮3街坊1/5丘土地). As at the Latest Practicable Date, the land use rights and structures on the Land had been transferred from Canvest Kawei to Shanghai Keda. It is expected that immediately prior to the completion of the Land Disposal, the land use rights and the structures on the Land will be transferred to Shanghai Keda by Canvest Kewei.

Shanghai Keda is a limited liability company established under the laws of the PRC and is a direct wholly-owned subsidiary of Canvest Kewei and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding and the development of the Land.

(b) The Smart Parking Disposal

The underlying assets to be disposed of under the Smart Parking Disposal are smart car parking projects (the “**Smart Parking Business**”) located in several regions in the PRC held by Canvest Technology through its subsidiaries and joint venture. Currently, there are six smart car parking projects in operation, one of which is located in Guangdong Province, four of which are located in Hunan Province, and one of which is located in Hubei Province.

Canvest Technology is a limited liability company incorporated under the laws of BVI and is a direct wholly-owned subsidiary of the Company. It is an investment holding company and principally engaged in the business of providing smart car parking solutions in the PRC through its subsidiaries and joint venture.

As set out in the Board Letter, according to the audited consolidated financial information of Canvest Technology prepared in accordance with Hong Kong Financial Reporting Standards, the consolidated total assets and net assets of Canvest Technology as at 31 December 2024 are approximately HK\$39,836,000 and HK\$23,736,000, respectively. Set out below is a summary of the audited consolidated financial information of Canvest Technology for years ended 31 December 2023 and 2024 as extracted from the Board Letter:

	For the year ended 31 December 2024 HK\$'000	For the year ended 31 December 2023 HK\$'000
Net loss before taxation and extraordinary items	64,143	23,624
Net loss after taxation and extraordinary items	57,886	22,808

(c) The Office Building Disposal

The underlying assets to be disposed of under the Office Building Disposal (the “**Properties**”) are (i) a commercial property situated at 28th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West and a car park space situated at No. P22 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong held by KK VII (BVI) Limited; and (ii) a commercial property situated at 29th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West, a car park space situated at No. P12 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West and the flat roof above 29th floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong held by KK VIII (BVI) Limited.

KK VII (BVI) Limited and KK VIII (BVI) Limited are both limited liability companies incorporated under the laws of BVI and are indirect wholly-owned subsidiaries of the Company. They are both principally engaged in investment holding.

As set out in the Board Letter, according to the audited financial information of KK VII (BVI) Limited and KK VIII (BVI) Limited prepared in accordance with Hong Kong Financial Reporting Standards, the total assets and net assets of KK VII (BVI) Limited as at 31 December 2024 are approximately HK\$78,191,000 and HK\$78,127,000, the total assets and net assets of KK VIII (BVI) Limited as at 31 December 2024 are approximately HK\$82,022,000 and HK\$82,621,000, respectively. Set out below is a summary of the audited financial information of KK VII (BVI) Limited and KK VIII (BVI) Limited for years ended 31 December 2023 and 2024 as extracted from the Board Letter:

	For the year ended 31 December 2024 HK\$'000	For the year ended 31 December 2023 HK\$'000
KK VII (BVI) Limited		
Net loss before taxation and extraordinary items	56,794	3,028
Net loss after taxation and extraordinary items	56,794	2,913
KK VIII (BVI) Limited		
Net loss before taxation and extraordinary items	60,509	2,884
Net loss after taxation and extraordinary items	60,509	2,111

3. Reasons for and benefits of the Disposals and intended use of proceeds

Given that the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are part of the arrangement under the proposal for the privatisation of the Company, the parties to the S&P Agreements agreed that Best Approach will acquire the entire equity interests in Canvest Kewei Subsidiary, Canvest Technology, KK VII (BVI) Limited and KK VIII (BVI) Limited on the terms and subject to the conditions set out in the S&P Agreements. The Disposals and the Proposal are inter-conditional on each other.

As mentioned in the Board Letter, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal represents a transaction at an opportune time and allows the Group and Best Approach to reallocate their assets and also help the Group to streamline its assets structure.

The Properties under the Office Building Disposal are used as the Company's principal office in Hong Kong and car park spaces for employees. As advised by the Management, given that the Group is mainly domiciled in the PRC (with vast majority of the employees located in the PRC and all of the revenue generated in the PRC), the Office Building Disposal would allow the Group to realize the Properties which are not the major part of their operation and focus on its operation in the PRC following the withdrawal of listing of the Shares on the Stock Exchange.

The Land under the Land Disposal was acquired by the Group in 2024. The original acquisition cost of the land use rights and structures on the Land to Canvest Kewei was approximately RMB135 million. As at the Latest Practicable Date, the development of the Land had not progressed. As advised by the Management, the Land Disposal would allow the Group to realize its investment in the Land development which did not commence as planned and focus its resources on other areas of operation.

The Smart Parking Disposal represents a disposal of the underperforming Smart Parking Business under the environmental hygiene and related services segment commenced by the Group in 2021. According to the Company's announcement dated 22 July 2024 in relation to the Disposals, Canvest Technology recorded consecutive loss of approximately HK\$22.81 million and HK\$57.89 million for the year ended 31 December 2023 and 2024 respectively.

According to the Board Letter, the Group intends to utilize the net proceeds from the Disposals for general working capital.

Having considered the above, we are of the view that the Disposals are in the interests of the Company and the Shareholders as a whole, and are in the interests of the Independent Shareholders.

4. Principal terms of the Disposals

4.1 The Land Disposal

Set out below are the principal terms of the Canvest Kewei S&P Agreement, further details of which are set out in the Board Letter:

Date:	22 July 2024 (after trading hours)
Parties involved:	(i) Best Approach, as buyer
	(ii) Canvest Kewei, as seller

Assets to be disposed of: Pursuant to the Canvest Kewei S&P Agreement, Canvest Kewei has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in Canvest Kewei Subsidiary. Canvest Kewei Subsidiary is Shanghai Keda, which was incorporated on 27 September 2024 and is wholly-owned by Canvest Kewei.

The underlying assets to be disposed of under the Land Disposal are the land use rights and structures on the Land situated at 1/5 of land in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC (中國上海市寶山區月浦鎮3街坊1/5丘土地). As at the Latest Practicable Date, the land use rights and structures on the Land had been transferred from Canvest Kewei to Shanghai Keda.

Transfer of equity interests and registration procedures:

Canvest Kewei shall cooperate with Shanghai Keda in the registration procedures in respect of the Land Disposal in accordance with the applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.

Upon completion of the registration procedures in respect of the Land Disposal, (i) Canvest Kewei will cease to own any interest in Shanghai Keda and the land use rights and structures on the Land; and (ii) Shanghai Keda will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

- Consideration:** The consideration under the Canvest Kewei S&P Agreement is RMB135 million, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of RMB135,350,000 as at 10 July 2024 based on a valuation report prepared by Shanghai Kedong Real Estate Appraisal Co., Ltd. ("**Shanghai Kedong**"), an independent valuer. The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of the first payment of the Cancellation Price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.
- Conditions:** The Canvest Kewei S&P Agreement and the transfer of the equity interests in Canvest Kewei Subsidiary are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Land Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Land Disposal; and (iv) the obtaining of approval of the Scheme by the Independent Shareholders, the Scheme Shareholders and the order sanctioning by the Grand Court of Cayman Islands. None of the aforesaid conditions have been waived as at the date of the Scheme Document. The conditions cannot be waived in any event.
- Completion:** The completion of the Land Disposal shall take place upon the settlement of the consideration by Best Approach.

Assessment of the consideration of the Land Disposal

The consideration under the Land Disposal of RMB135 million was determined after arm's length negotiations with reference to the appraised value of the underlying assets (the "**Land Valuation**") in the total amount of approximately RMB135 million as at 10 July 2024 based on a valuation report prepared by an independent valuer.

The Company has engaged Shanghai Kedong to conduct the Land Valuation. In addition to the Land Valuation as at 10 July 2024, Shanghai Kedong has also performed an updated valuation of the underlying assets as at 28 February 2025. According to the updated valuation report (details of which are contained in Appendix II to the Scheme Document), the Land Valuation as at 28 February 2025 was RMB135,290,000. In preparing the valuation report, Shanghai Kedong selected the cost approach to conclude the Land Valuation.

For due diligence purpose, we have reviewed the valuation report prepared by Shanghai Kedong and have discussed with Shanghai Kedong regarding the Land Valuation with details set out below. In the course of our review, we have discussed with Shanghai Kedong its scope of work and expertise, and also the methodologies, bases and assumptions adopted in the valuation report. Further details of the valuation report are set out in Appendix II to the Scheme Document.

(a) Scope of work and qualifications of the independent valuer

We have discussed with Shanghai Kedong regarding the qualification and expertise of Shanghai Kedong and the relevant engagement team members. We understand that Shanghai Kedong has experience in handling asset valuation exercises for assets within the PRC. The responsible signing person of the valuation report has over 10 years' industry experience in conducting valuation exercises. Shanghai Kedong also confirmed that it is independent from the Company and Best Approach to perform the Land Valuation under the relevant professional standards.

We understood that ABCI Capital, the Company's financial adviser, has been engaged to report on the valuation report under Rule 11.1(b) of the Takeovers Code for the qualification and experience of Shanghai Kedong in respect of the Land Valuation. We have reviewed the aforesaid report by ABCI Capital in accordance with Rule 11 of the Takeovers Code, which is contained in Appendix II-E to the Scheme Document, and noted that ABCI Capital (i) is satisfied that Shanghai Kedong is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Land Valuation

competently; and (ii) is satisfied that Shanghai Kedong possesses the qualifications and experience to compile the valuation report in respect of the Land Valuation.

We have also reviewed the terms of the Shanghai Kedong's engagement letter and noted that the purpose of the valuation is to perform a valuation of the Land. The Shanghai Kedong's engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

(b) Valuation methodologies

Based on our discussion with Shanghai Kedong and review of the valuation report, it is noted that Shanghai Kedong has adopted the cost approach in arriving at the Land Valuation. We understand that Shanghai Kedong has considered the commonly used valuation approaches for valuation of real estate, namely the cost approach, the market approach and the income approach:

- (1) Cost approach: Cost approach is an approach measuring the replacement cost or reconstruction cost and depreciation of the valuation object at the time of valuation, and subtracting depreciation from the replacement cost or reconstruction cost. Taking into consideration the availability of information regarding land acquisition costs and early development expenses in the district, as well as the transparency of construction costs, Shanghai Kedong considered that the cost approach is the suitable method for the Land Valuation.
- (2) Market approach: Market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. As advised by Shanghai Kedong, the planned usage of the Land is for the operation of waste integrated treatment plant. Due to the public facility nature of the planned usage, there was a lack of comparables as market value reference since the comparable properties are not generally sold/rented in the open market. Accordingly, Shanghai Kedong considered that the market approach is inappropriate.
- (3) Income approach: Income approach (including the hypothetical development approach) provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. Due to the public facility nature of the planned usage, there was a lack of

comparables as income reference since the comparable properties are not generally sold/rented in the open market, and the income approach (including the hypothetical development approach) is considered inapplicable by Shanghai Kedong.

As mentioned in the sub-section headed “3. Reasons for and benefits of the Disposals and intended use of proceeds” under the section headed “E. SPECIAL DEAL IN RELATION TO THE DISPOSALS” of this letter above, the Land under the Land Disposal was acquired by the Group in 2024 and the development of the Land had not progressed as at the Latest Practicable Date. We have also discussed with the Management and understand that the planned usage of the Land is for the operation of waste integrated treatment plant. Given (i) the public facility nature of the planned usage of the Land, which makes comparison with land with other usages non-meaningful; and (ii) the development of the Land did not commence as planned and there are uncertainties in the future development and operation of the planned waste integrated treatment plant, we are also of the view that it is appropriate to adopt the cost approach in performing Land Valuation.

(c) Valuation assumptions

We have reviewed the valuation report and discussed with Shanghai Kedong in respect of the key assumptions adopted for performing the Land Valuation. We understand from Shanghai Kedong that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Land Valuation. We also consider that the assumptions adopted in the valuation report are general in nature and we are not aware of any material facts which lead us to doubt the reasonableness of the assumptions adopted by Shanghai Kedong.

(d) Details of valuation

Based on our discussion with Shanghai Kedong and review of the valuation report and the details of the valuation, we understand that under the cost approach valuation, Shanghai Kedong has conducted site visit of the Land and reviewed relevant documents/contracts in relation to the Land and the relevant structures. Shanghai Kedong has then derived the Land Valuation by deducting the estimated replacement cost with the depreciation, based on the nature and conditions of the Land and the relevant structures on the Land. In determining the replacement cost, Shanghai Kedong has considered the current status of the Land and the relevant structures on the Land and estimated the various costs enquired to reconstruct the subject property, including the acquisition

costs of the Land, the construction costs of the buildings, the management fees, the sales costs, investment interests, sales related tax and profits in respect of the Land and the relevant structures on the Land. The depreciation considered by Shanghai Kedong includes material depreciation, functional depreciation and economic depreciation. Accordingly, the Land Valuation is derived as based on the following formula:

$$\begin{aligned}\text{Land Valuation} = & \text{Replacement costs of the Land} + \\ & \text{Replacement costs of the relevant structures} \\ & \text{on the Land} - \text{Depreciation}\end{aligned}$$

(i) Replacement costs of the Land

Acquisition costs of the Land

The acquisition costs of the Land were valued by weighted average of appraised value under the benchmark land price coefficient correction method and the cost approximation method.

Under the benchmark land price coefficient correction method, Shanghai Kedong referred to the benchmark land price established by the local government and adjusted the land price based on analysis of various factors affecting the land price. We reviewed the underlying data adopted by Shanghai Kedong regarding the benchmark land price and noted that Shanghai Kedong has relied on the latest benchmark land price guidance document in relation to urban and rural construction land in Shanghai as published by Shanghai Planning and Natural Resources Bureau* (上海市規劃和自然資源局).

Under the cost approximation method, Shanghai Kedong has obtained relevant information such as fee standards, land development costs, tax and interest in the applicable district to appraise the value of the Land. We have reviewed the underlying data adopted by Shanghai Kedong in arriving at the land acquisition costs and noted that the land acquisition costs adopted based on the underlying data of the original acquisition costs of land use rights nearby the area where the Land is located.

As advised by Shanghai Kedong, the aforesaid valuation of acquisition costs of the Land took into account both the land price as indicated by the local government and the costs of land development, and is consistent with normal market practice.

Sales costs

Under the valuation, Shanghai Kedong has considered the costs associated with the sales of the Land such as advertising expenses, costs of sales personnel and agency fees. Shanghai Kedong has estimated such fees based on certain applicable percentage to the land value.

Investment interest

The investment interest measures the cost of investment of the Land. It is estimated by Shanghai Kedong based on the completed portion of the land project, the completion time and the standard loan interest rate of RMB.

Sales related tax

During the appraisal, Shanghai Kedong has also considered tax applicable to the sales of the Land. As advised by Shanghai Kedong, such estimation was based on the PRC tax rule and regulations relevant to the development and sales of the Land.

Profits in respect of the Land

The profits represent the investment return of the project. It is estimated by Shanghai Kedong based on the profitability of comparable domestic waste comprehensive treatment plant properties.

Based on the above, the replacement costs of the Land are approximately RMB72.92 million.

(ii) Replacement costs of the relevant structures on the Land

Construction costs of the buildings

In valuing the construction costs of the buildings, Shanghai Kedong took into account the structures and facilities of the buildings and appraised the construction costs based on the costs of comparable construction cases. We have discussed with Shanghai Kedong and reviewed a summary of the comparable construction cases and noted that (i) those comparable construction cases were selected based on the usages similar to different parts of the structures on the Land; and (ii) Shanghai Kedong has made relevant adjustments to reflect the differences between those comparable cases and the structures on the Land.

Management fees

Management fees include wages and welfare fees, office expenses, travel expenses and other related fees. In the valuation, Shanghai Kedong has estimated the management fees based on an applicable percentage of the sum of construction and installation project costs and supporting overall project costs.

Sales costs, investment interest, sales related tax and profits in respect of the buildings

The sales costs, investment interest, sales related tax and profits in respect of the buildings were appraised by Shanghai Kedong by similar approach as the valuation of the replacement costs of the Land.

Based on the above, the replacement costs of the relevant structures on the Land are approximately RMB79.92 million

(iii) Depreciation

In determining the depreciation, Shanghai Kedong has considered a number of factors such as the design functions of the buildings, the real estate market situation, and the aging, wear and damage of buildings caused by use and natural forces based on the condition of the Land and the relevant structures on the Land. Shanghai Kedong has then applied a newness rate (which was assessed by Shanghai Kedong after taking into account the aforesaid factors based on the structural part, decorative part and equipment part of the properties) to the replacement costs of the properties to arrive at the depreciation.

Based on the above, the depreciation amount is approximately RMB17.55 million

Taking into account the above, we consider the underlying assumptions and bases to determine the replacement cost and depreciation adjustments are fair and reasonable.

(e) Conclusion

Having discussed with Shanghai Kedong and reviewed with them the reasons for adopting the various valuation methodologies, the bases and assumptions, including the relevant underlying information, used for the valuation and the valuation result, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the Land Valuation as at 28 February 2025 are in line with the industry

practice. In assessing the fairness of the consideration, we consider it is appropriate to refer to the Land Valuation conducted by Shanghai Kedong. Having also considered that the consideration is close to the Land Valuation as at 28 February 2025 (representing a slight discount of approximately 0.21%), being the latest valuation, we are of the view that the consideration for the Land Disposal is fair and reasonable.

4.2 The Smart Parking Disposal

Set out below are the principal terms of the Canvest Technology S&P Agreement, further details of which are set out in the Board Letter:

Date: 22 July 2024 (after trading hours)

Parties involved: (i) Best Approach, as buyer
(ii) Canvest Kewei, as seller

Assets to be disposed of: Pursuant to the Canvest Technology S&P Agreement, the Company has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in Canvest Technology.

Currently, there are six smart car parking projects in operation, one of which is located in Guangdong Province, four of which are located in Hunan Province, and one of which is located in Hubei Province.

Transfer of equity interests and registration procedures:

The Company shall cooperate with Canvest Technology in the registration procedures in respect of the Smart Parking Disposal in accordance with applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.

Upon completion of the registration procedures in respect of the Smart Parking Disposal, Canvest Technology will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

- Consideration:** The consideration under the Canvest Technology S&P Agreement is HK\$30 million, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of RMB26,100,000 as at 30 June 2024 based on the valuation report prepared by Masterpiece Valuation Advisory Limited (“**Masterpiece**”), an independent valuer. The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of first payment of the Cancellation Price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.
- Conditions:** The Canvest Technology S&P Agreement and the transfer of equity interests in Canvest Technology are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Smart Parking Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Smart Parking Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Smart Parking Disposal; and (iv) the obtaining of approval of the Scheme by the Independent Shareholders, the Scheme Shareholders and the order sanctioning by the Grand Court of Cayman Islands. None of the aforesaid conditions have been waived as at the date of the Scheme Document. The conditions cannot be waived in any event.
- Completion:** The completion of the Smart Parking Disposal shall take place upon the settlement of the consideration by Best Approach.

Assessment of the consideration of the Smart Parking Disposal

The consideration under the Smart Parking Disposal of HK\$30 million (equivalent to approximately RMB26 million) was determined after arm's length negotiations with reference to the appraised value of the underlying assets (the “**Canvest Technology Valuation**”) in the total amount of approximately RMB26 million as at 30 June 2024 based on a valuation report prepared by an independent valuer.

The Company has engaged Masterpiece to conduct the Canvest Technology Valuation. In addition to the Canvest Technology Valuation as at 30 June 2024, Masterpiece has also performed an updated valuation of the underlying assets as at 28 February 2025. According to the updated valuation report (details of which are contained in Appendix II to the Scheme Document), the Canvest Technology Valuation as at 28 February 2025 was RMB23,800,000. In preparing the valuation report, Masterpiece selected the asset-based approach to conclude the Canvest Technology Valuation.

We understood that ABCI Capital, the Company's financial adviser, has been engaged to report on the valuation report under Rule 11.1(b) of the Takeovers Code for the qualification and experience of Masterpiece in respect of the Canvest Technology Valuation. We have reviewed the aforesaid report by ABCI Capital in accordance with Rule 11 of the Takeovers Code, which is contained in Appendix II-F to the Scheme Document, and noted that ABCI Capital (i) is satisfied that Masterpiece is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Canvest Technology Valuation competently; and (ii) is satisfied that Masterpiece possesses the qualifications and experience to compile the valuation report in respect of the Canvest Technology Valuation.

For due diligence purpose, we have reviewed the valuation report prepared by Masterpiece and have discussed with Masterpiece regarding the Canvest Technology Valuation with details set out below. In the course of our review, we have discussed with Masterpiece its scope of work and expertise, and also the methodologies, bases and assumptions adopted in the valuation report. Further details of the valuation report are set out in Appendix II to the Scheme Document.

(a) Scope of work and qualifications of the independent valuer

We have discussed with Masterpiece regarding the qualification and expertise of Masterpiece and the relevant engagement team members. We understand that Masterpiece has experience in handling asset valuation exercises for assets within the PRC. The responsible signing person of the valuation report has over 20 years' industry experience in conducting valuation exercises. Masterpiece also confirmed that it is independent from the Company and Best Approach to perform the Canvest Technology Valuation under the relevant professional standards.

We have also reviewed the terms of the Masterpiece's engagement letter and noted that the purpose of the valuation is to perform a valuation of the equity interest of Canvest Technology. The Masterpiece's engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

(b) Valuation methodologies

Based on our discussion with Masterpiece and review of the valuation report, it is noted that Masterpiece has adopted the asset-based approach in arriving at the Canvest Technology Valuation. We understand that Masterpiece has considered the commonly used valuation approaches for valuation of companies, namely the income approach, the market approach, and the asset-based approach:

- (1) Income approach: Due to Canvest Technology's history of net losses and its plans for downsizing operations, Masterpiece considered that the income approach was inappropriate.
- (2) Market approach: Masterpiece considered that the market approach could not be reliably applied because comparable market multiples were not available.
- (3) Asset-based approach: The asset-based approach and the cost approach are similar in nature. The asset-based valuation is commonly used to value businesses, while the cost approach is used to value assets. Under the asset-based approach, the value of the valuation target is determined based on the basis of a reasonable evaluation of the value of the assets and liabilities of the enterprise. The asset-based approach focuses on the fair value of identifiable assets and liabilities, irrespective of the enterprise's profitability. Since Canvest Technology was experiencing losses and downsizing, the

asset-based approach was considered the most suitable methodology to determine the fair value of Canvest Technology.

As set out in the sub-section headed “2. Information on the disposal assets” under the section headed “E. SPECIAL DEAL IN RELATION TO THE DISPOSALS” of this letter above, Canvest Technology recorded net loss for the two years ended 31 December 2022 and 2023. We have also discussed with Masterpiece and understand that valuation under market approach involves comparison with market multiples of comparable transactions or companies. Comparable transactions with sufficient data were not identified for the purpose of the Canvest Technology Valuation, and comparable listed companies were operating under the going-concern assumption. On the other hand, Canvest Technology has a history of net loss and plans for downsizing operations. In view of the above, we are also of the view that it is appropriate to adopt the asset-based approach in performing the Canvest Technology Valuation.

(c) Valuation assumptions

We have reviewed the valuation report and discussed with Masterpiece in respect of the key assumptions adopted for performing the Canvest Technology Valuation. We understand from Masterpiece that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Canvest Technology Valuation. We also consider that the assumptions adopted in the valuation report are general in nature and we are not aware of any material facts which lead us to doubt the reasonableness of the assumptions adopted by Masterpiece.

(d) Details of valuation

Under asset-based approach, Masterpiece has categorised the assets and liabilities of Canvest Technology into different categories. Assets such as bank balances, prepayments, inventories, and other receivables were assumed to reasonably represent their fair values as book values. Based on our discussion with Masterpiece and review of the valuation report and the details of the valuation, we understand that when assessing the assets and liabilities of Canvest Technology, Masterpiece has discussed with the Management of Canvest Technology to understand the nature of different assets and liabilities of Canvest Technology and has reviewed relevant supporting documents relating to certain of the major assets and liabilities. We noted that the Canvest Technology Valuation as at 28 February 2025 represents a deficit of approximately 9.16% to the unaudited net assets value of Canvest Technology as at 28 February 2025. Such deficit was mainly attributable

to the revaluation of account receivables and other receivables. Further details of the valuation deficit on account receivables and other receivables, together with the details of the asset-based approach of the major assets and liabilities of Canvest Technology are set out below:

For plant and equipment, fixed assets and intangible assets which involved assets used in the Canvest Technology's normal business operations, Masterpiece has appraised the fair value of such assets by replacement cost approach, pursuant to which Masterpiece took into account the then current status of the assets and the cost to be incurred to replicate such assets.

For cash and prepayments, Masterpiece has considered the nature of such assets, and the book values of such assets were adopted as the appraised values as no adjustment was necessary.

For receivables, Masterpiece has considered the book value of such assets and has determined the appraised values after conducting a credit assessment by reference to the nature of such assets. We have discussed with Masterpiece and reviewed the summary of the credit assessment on the receivables. We noted that (i) the credit assessment was made for all the receivables of Canvest Technology as at the valuation date; (ii) the ageing of different receivables were considered when performing the credit assessment; and (iii) Masterpiece has also considered the amounts subsequent recovered when performing the ageing analysis.

For liabilities, Masterpiece has confirmed with the management of Canvest Technology that all liabilities stated in the financial statement have fully reflected the indebtedness of Canvest Technology. Masterpiece has assessed such liabilities by reference to their nature and determined the appraised value based on the book value of the liabilities.

Taking into account the above, we consider the underlying assumptions to evaluate the assets and liabilities of Canvest Technology by Masterpiece are fair and reasonable.

(e) Conclusion

Having discussed with Masterpiece and reviewed with them the reasons for adopting the various valuation methodologies, the bases and assumptions used for the valuation and the valuation result, we are of the opinion that the chosen valuation methodologies, bases and assumptions, including the relevant underlying information, in establishing the Canvest Technology Valuation as at 28 February 2025 are in line with the industry practice. In assessing the fairness of the consideration, we consider it is appropriate to refer to the Canvest Technology Valuation conducted by Masterpiece. Having also

considered that the consideration of HK\$30 million (equivalent to approximately RMB27.9 million based on the HK\$:RMB exchange rate of 1:0.93) represents a premium of approximately 17.23% over the Canvest Technology Valuation as at 28 February 2025, being the latest valuation, we are of the view that the consideration for the Smart Parking Disposal is fair and reasonable.

4.3 *The Office Building Disposal*

Set out below are the principal terms of the KK S&P Agreement, further details of which are set out in the Board Letter:

Date:	22 July 2024 (after trading hours)
Parties involved:	(i) Best Approach, as buyer (ii) Yi Feng, as seller
Assets to be disposed of:	Pursuant to the KK S&P Agreement, Yi Feng has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited.

The underlying assets to be disposed of under the Office Building Disposal are the Properties.

Transfer of equity interests and registration procedures:	Yi Feng shall cooperate with KK VII (BVI) Limited and KK VIII (BVI) Limited in the registration procedures in respect of the Office Building Disposal in accordance with applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.
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Upon completion of the registration procedures in respect of the Office Building Disposal, KK VII (BVI) Limited and KK VIII (BVI) Limited will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration: The consideration under the KK S&P Agreement is HK\$165 million, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of HK\$165,400,000 as at 30 June 2024 based on the valuation report prepared by Masterpiece. The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of first payment of the total Cancellation Price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions: The KK S&P Agreement and the transfer of equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Office Building Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Office Building Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Office Building Disposal; and (iv) the obtaining of approval of the Scheme by the Independent Shareholders, the Scheme Shareholders and the order sanctioning by the Grand Court of Cayman Islands. None of the aforesaid conditions have been waived as at the date of the Scheme Document. The conditions cannot be waived in any event.

Completion: The completion of the Office Building Disposal shall take place upon the settlement of the consideration by Best Approach.

Assessment of the consideration of the Office Building Disposal

The consideration under the Office Building Disposal of HK\$165 million was determined after arm's length negotiations with reference to the appraised value of the underlying assets (the "**Properties Valuation**") in the total amount of approximately HK\$165 million as at 30 June 2024 based on a valuation report prepared by an independent valuer.

The Company has engaged Masterpiece to conduct the Properties Valuation. In addition to the Properties Valuation as at 30 June 2024, Masterpiece has also performed an updated valuation of the underlying assets as at 28 February 2025. According to the updated valuation report (details of which are contained in Appendix II to the Scheme Document), the Properties Valuation as at 28 February 2025 was HK\$157,000,000. In preparing the valuation report, Masterpiece selected the market approach to conclude the Properties Valuation.

For due diligence purpose, we have reviewed the valuation report prepared by Masterpiece and have discussed with Masterpiece regarding the Properties Valuation with details set out below. In the course of our review, we have discussed with Masterpiece its scope of work and expertise, and also the methodologies, bases and assumptions adopted in the valuation report. Further details of the valuation report are set out in Appendix II to the Scheme Document.

(a) Scope of work and qualifications of the independent valuer

We have discussed with Masterpiece regarding the qualification and expertise of Masterpiece and the relevant engagement team members. We understand that Masterpiece has experience in handling asset valuation exercises for assets within the PRC (including Hong Kong). The responsible signing person of the valuation report has over 20 years' industry experience in conducting valuation exercises. Masterpiece also confirmed that it is independent from the Company and Best Approach to perform the Properties Valuation under the relevant professional standards.

We have also reviewed the terms of the Masterpiece's engagement letter and noted that the purpose of the valuation is to perform a valuation of the Properties. The Masterpiece's engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

(b) Valuation methodologies

Based on our discussion with Masterpiece and review of the valuation report, it is noted that Masterpiece has adopted the market approach in arriving at the Properties Valuation as reliable market evidence is available. The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. As confirmed by the Masterpiece, the market approach is one of the commonly adopted approaches for valuation of property interest and is also consistent with normal market practice.

(c) Valuation assumptions

We have reviewed the valuation report and discussed with Masterpiece in respect of the key assumptions adopted for performing the Properties Valuation. We understand from Masterpiece that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Properties Valuation. We also consider that the assumptions adopted in the valuation report are general in nature and we are not aware of any material facts which lead us to doubt the reasonableness of the assumptions adopted by Masterpiece.

(d) Details of valuation

Based on our discussion with Masterpiece, we understand that in valuing the Properties, Masterpiece has valued by comparing recent market evidence of similar properties located in the neighborhood area of the property. For our due diligence purpose, we have discussed with Masterpiece and have reviewed the details of the Properties Valuation. For the selection criteria of the comparable properties, we noted that Masterpiece has identified sales of similar properties in nearby district as the Properties within 3 years prior to the valuation date. As advised by Masterpiece, the considerations for selecting comparable transactions and the adjustments factors are consistent with normal market practice. For the comparable properties identified, we have reviewed the transaction details of such properties (including the transaction date, the consideration, size, address, view and other relevant information of the subject properties). Based on the details of valuation obtained, we also noted that Masterpiece has made various adjustments to the comparable properties to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors of the sales of the comparable properties against the Properties. During our discussion with

Masterpiece and review of the valuation details, we did not identify any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Properties Valuation.

(e) Conclusion

Having discussed with Masterpiece and reviewed with them the reasons for adopting the valuation methodologies, the bases and assumptions, including the relevant underlying information, used for the valuation and the valuation result, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the Properties Valuation as at 28 February 2025 are in line with the industry practice. In assessing the fairness of the consideration, we consider it is appropriate to refer to the Properties Valuation conducted by Masterpiece. Having also considered that the consideration represents a premium of approximately 5.10% over the Properties Valuation as at 28 February 2025, being the latest valuation, we are of the view that the consideration for the Office Building Disposal is fair and reasonable.

4.4 Our view on the Disposals

Taking into account that (i) the considerations of the Disposals were based on the valuation results of valuation report issued by the independent valuers; (ii) our view regarding the Land Valuation, the Canvest Technology Valuation and the Properties Valuation as concluded in this section; (iii) the consideration of the Land Disposal is close to the Land Valuation as at 28 February 2025 (representing a slight discount of approximately 0.21%); and (iv) the considerations of the Smart Parking Disposal and the Office Building Disposal represent a premium of approximately 17.23% and a premium of approximately 5.10% over the Canvest Technology Valuation and the Properties Valuation respectively as at 28 February 2025, being the latest valuation, we are of the view that the terms of the Disposals are fair and reasonable.

5. Financial Effect of the Disposals

According to the Board Letter, (i) for the Land Disposal, it is expected that no material gain or loss will be recorded; (ii) for the Smart Parking Disposal, based on, *inter alia*, the consideration and the carrying value of net assets of Canvest Technology as at 31 December 2024 of HK\$23.4 million, there will be a gain on disposal of HK\$6.6 million; and (iii) for the Office Building Disposal, based on, *inter alia*, the consideration and the carrying value of KK VII (BVI) Limited and KK VIII (BVI) Limited as at 31 December 2024 of a total of HK\$161.2 million, there will be a gain on disposal of HK\$3.8 million. The actual amount of gain or loss and the financial effect as a result of the Disposals to be recorded are subject to the review and final audit by the auditor of the Company.

F. SPECIAL DEAL IN RELATION TO THE EB AMENDMENT**1. Background and principal terms of the EB Amendment**

According to the Exchangeable Bonds Announcement, the Exchangeable Bonds, which were issued by Best Approach to Shanghai Industrial (with Ms. Loretta Lee as the guarantor), will entitle the holder thereof (i.e. Shanghai Industrial) to exchange for not more than 243,954,117 Shares (the “**Exchangeable Shares**”) beneficially owned by Best Approach at the initial exchange price of HK\$6.71 at the date of exercising the exchangeable right. The Exchangeable Shares represent approximately 10% of the total issued Shares as at the Latest Practicable Date. For detailed terms of the Exchangeable Bonds, please refer to the Exchangeable Bonds Announcement.

On 9 April 2025 (after trading hours), Best Approach, Shanghai Industrial and Ms. Loretta Lee entered into the Amendment Agreement to amend certain terms and conditions of the Exchangeable Bonds.

The principal terms of the Amendment Agreement, as extracted from the Board Letter, are set out below:

Date:	9 April 2025
Parties:	Best Approach (as the issuer), Shanghai Industrial (as the subscriber) and Ms. Loretta Lee (as the guarantor)
Amendments:	The parties agree to amend the Exchangeable Bonds Terms and Conditions to provide, among other things, new reciprocal voluntary early redemption rights as follows:

(1) The BA Voluntary Early Redemption

- (a) Best Approach shall have a voluntary early redemption right pursuant to which it may, at any time prior to the maturity date of the Exchangeable Bonds as set out in the Exchangeable Bonds Announcement (the “**Maturity Date**”), redeem the outstanding Exchangeable Bonds (the “**BA Voluntary Early Redemption**”) at an amount equal to the sum of (i) the principal amount of the Exchangeable Bonds (the “**Principal Amount**”) (plus accrued but unpaid interest based on the then applicable interest rate of the Exchangeable Bonds), plus (ii) the Early Redemption Fee (as defined below) (together, the “**BA Early Redemption Price**”).

- (b) Upon Best Approach notifying Shanghai Industrial of a proposed BA Voluntary Early Redemption (the “**BA Early Redemption Notice**”) and if, at such time, there is any matter which, if completed, will result in the occurrence of any event set out under paragraph (i) or (ii) of the paragraph headed “Early redemption at the option of Company” of the Exchangeable Bonds Announcement (each a “**BA Relevant Transaction**”), is ongoing or has been announced on the Stock Exchange website, then Best Approach shall, on the completion date of the BA Voluntary Early Redemption specified in the BA Early Redemption Notice, which shall be no sooner than 20, but no later than 60, business days after the date of the BA Early Redemption Notice (the “**BA Early Redemption Date**”), pay to Shanghai Industrial the BA Early Redemption Price.
- (c) If, at the time of the BA Early Redemption Notice, no BA Relevant Transaction is ongoing or has been announced on the Stock Exchange website, Shanghai Industrial shall have the right to object to the proposed Best Approach Voluntary Early Redemption, which then shall not be consummated.
- (d) The “**Early Redemption Fee**” in respect of the Exchangeable Bonds means the following:

$$A \times B \times C/D$$

Where:

A = the outstanding Principal Amount as at the BA Early Redemption Date

B = 3.4%

C = 180 (or, if lower, the number of days from the BA Early Redemption Date to the Maturity Date)

D = 360

(2) The SI Voluntary Early Redemption

- (a) Conversely, Shanghai Industrial shall also have a voluntary early redemption right pursuant to which it may, at any time prior to the Maturity Date, redeem the outstanding Exchangeable Bonds (the “**SI Voluntary Early Redemption**”), at an amount equal to the Principal Amount (plus accrued but unpaid interest at the then applicable interest rate of the Exchangeable Bonds) (the “**SI Early Redemption Price**”).
- (b) Upon Shanghai Industrial notifying Best Approach of a proposed SI Voluntary Early Redemption (the “**SI Early Redemption Notice**”) and if, at such time, any event set out under the paragraph headed “Early redemption at the option of Best Approach” of the Exchangeable Bonds Announcement has occurred (each, a “**SI Relevant Transaction**”), Best Approach shall pay to Shanghai Industrial the SI Early Redemption Price on the redemption date specified in the SI Early Redemption Notice.
- (c) If, at the time of the SI Early Redemption Notice, no SI Relevant Transaction has occurred, Best Approach shall have the right to object to the proposed SI Voluntary Early Redemption, which then shall not be consummated.

**Conditions
precedent:**

The EB Amendments shall be conditional upon (i) the Executive granting its consent to the special deal in relation to the EB Amendments Special Deal, (ii) the Independent Financial Adviser confirming that the terms of the EB Amendments are fair and reasonable so far as the EB Amendments Independent Shareholders are concerned; and (iii) the passing of an ordinary resolution by the Shareholders who are not involved in or interested in the EB Amendments at the EGM to approve the EB Amendments (together, the “**EB Amendments Conditions**”).

2. Information of the parties to the EB Amendment

As set out in the Scheme Document, Shanghai Industrial is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 363). Shanghai Industrial is an indirect substantial shareholder of the Company through its indirect wholly-owned subsidiary, True Victor, which holds 475,251,000 Shares, representing approximately 19.47% of the total issued share capital of the Company as at the Latest Practicable Date.

For the information regarding Best Approach and Ms. Loretta Lee, please refer to the sub-section headed “2. Information on Best Approach and its beneficial owners” of this letter above.

3. Our view on the EB Amendments

As part of our analysis, we have searched on the website of the Stock Exchange to identify transactions involving issue of convertible securities which were announced by companies listed on the Stock Exchange (the “**EB Comparable Transactions**”) during the period from 1 January 2025 up to 9 April 2025, being a period of approximately three months prior to and including the date of the Amendment Agreement (excluding transactions which were terminated/lapsed and transactions involving convertible securities which are convertible into non-Stock Exchange listed securities). Based on the aforesaid criteria, we found 19 EB Comparable Transactions which met the said criteria, and they are exhaustive. We noted that for 10 out of 19 EB Comparable Transactions, the subject convertible securities include similar terms of voluntary redemption by the issuer/subscriber. Accordingly, we consider that the BA Voluntary Early Redemption and the SI Voluntary Early Redemption are not uncommon.

The EB Amendments is an arrangement among certain Shareholders (namely Best Approach, Shanghai Industrial and Ms. Loretta Lee), and has no direct impact on the Company. Under the EB Amendment, each of Best Approach and Shanghai Industrial was granted an early redemption right to redeem the outstanding Exchangeable Bonds at the relevant predetermined terms and conditions. There will be no change in the issued share capital of the Company as a result of the EB Amendment, nor will there be any cash flow impact of the Company as a result of the exercise of the BA Voluntary Early Redemption or SI Voluntary Early Redemption.

As mentioned in the sub-section headed “5. Our view on the Rollover Arrangement” of this letter above, considering the background of Best Approach and its beneficial owners (including Mr. KM Lai and Ms. Loretta), it is important for the Company to retain Best Approach as Shareholders after the Scheme becoming effective so that Best Approach and its beneficial owners will have incentives to continue to contribute to the future development and growth of the Group.

Under the EB Amendment, if the BA Voluntary Early Redemption or SI Voluntary Early Redemption is exercised, the outstanding Exchangeable Bonds would be redeemed, and no Exchangeable Shares will be transferred by Best Approach to Shanghai Industrial. We consider that the retention of Shares by Best Approach in such scenario aligns with the intention of the Rollover Arrangement as discussed earlier.

Having considered (i) our analysis of the EB Comparable Transactions, in particular that the BA Voluntary Early Redemption and the SI Voluntary Early Redemption are not uncommon; and (ii) the retention of Shares by Best Approach, if the BA Voluntary Early Redemption or the SI Voluntary Early Redemption is exercised, aligns with the intention of the Rollover Arrangement, we are of the view that the terms of the EB Amendments are fair and reasonable.

Independent Shareholders should note that satisfaction of the EB Amendment Conditions is not one of the Pre-Conditions or Conditions of the Proposal and the Scheme. Therefore, if all the Pre-Conditions and Conditions are satisfied (or waived, as the case may be), the implementation of the Proposal and the effectiveness of the Scheme will not be subject to whether the EB Amendments Conditions are satisfied or whether the Amendment Agreement will complete.

DISCUSSION

In reaching our recommendation as regards the Transactions, we have taken into account the factors and reasons set out above, and in particular the following:

(i) The Proposal and the Scheme

The Company recorded year-on-year decreases in revenue and net profit during FY2023 and FY2024 as compared to the corresponding periods in the previous year. As mentioned in the sub-section headed “2.1 Financial information of the Group” of this letter above, such decreases in revenue and net profit during FY2023 and FY2024 were mainly due to the decreases in construction revenue recognised during FY2023 and FY2024 since most of the Group’s WTE projects are now in operation, and the WTE industry has reached a mature stage characterised by a reduction in new projects.

The Company and Grandblue Environment are engaging in the environmental protection related business with a high degree of synergy in business area, business model, operation management and control capabilities, the Offeror believes that the Proposal will be able to create synergy and enhance competitive strengths and facilitate the Offeror to become a leading enterprise in solid waste treatment and WTE business through horizontal industrial integration after the completion of the Proposal. The implementation of the Proposal will also permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits, free from regulatory constraints from the perspective of managing a publicly listed company, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company

(a) The Cancellation Price*Cancellation Price compared to historical Share prices and NAV per Share*

We have assessed the fairness of the Cancellation Price by reviewing the closing price of Shares during the Review Period. The Cancellation Price of HK\$4.90 is higher than the closing prices of Shares in most of the trading days during the Review Period. The Cancellation price represents a premium in a range of approximately 11.62% to 23.50% over the closing prices of Shares for different periods up to and including the Last Trading Day prior to the publication of the Announcement; and represents premium of approximately 21.29% and 21.59% over the NAV per Share as at 31 December 2024 and the Adjusted NAV per Share respectively. As at the Latest Practicable Date, the Shares closed at HK\$4.75, representing a premium of approximately 3.16% over the Cancellation Price.

Trading liquidity

The trading volume in the Shares was generally thin during the Review Period. If the Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The Proposal provides an opportunity for the Independent Shareholders (especially those with relatively sizeable shareholdings) to realise their investments in the Shares at a fixed cash price (at a premium over the average historical closing price of Share price for different periods up to and including the Last Trading Day) without disturbing the market price.

Comparison with peers

We have compared the Cancellation Price with Comparable Companies. The implied P/E Ratio and P/B Ratio of the Proposal (with the Cancellation Price) are higher than those of the Comparable Companies.

Comparison with other privatisation transactions

The premiums represented by the Cancellation Price over the last trading day, 5-day average, 10-day average, 30-day average and 60-day average fall within the range of the premiums/discounts of the Privatisation Precedents. Despite that the premiums represented by the Cancellation Price over the last trading day, 5-day average, 10-day average, 30-day average and 60-day are below the median premiums/discounts of the Privatisation Precedents, the premia represented by the Cancellation Price over the NAV per Share as at 31 December 2024 and the Adjusted NAV per Share are higher than the median premia/discounts of the Privatisation Precedents.

Having considered the above, we are of the view that the Cancellation Price is fair and reasonable.

(b) The Option Offer

The Option Offer Price is determined by the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39 of the Share Options).

Since the commencement of the Offer Period up to and including the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$4.28 and HK\$4.79 (i.e. the Offer Period Closing Price Range). The exercise price of HK\$4.39 of the Share Options fall within the aforesaid range of closing price of Shares. Based on the closing price of the Shares of HK\$4.75 as at the Latest Practicable Date, all Share Options were in-the-money.

Taking into account that (i) Option Offer Price is based on the “see-through” price, being the Cancellation Price (which we consider to be fair and reasonable) minus the exercise price of the Share Options; (ii) if the Option Offer is not accepted, the unexercised Share Options will lapse upon the Scheme becoming effective and the Optionholder will enjoy no economic benefits; and (iii) the Cancellation Price is higher than the Offer Period Closing Price Range (which means accepting the Option Offer with a “see-through” price of HK\$0.51 is potentially more attractive than exercising the Share Option and selling the Shares in the open market), we consider that the Option Offer Price is fair and reasonable.

Having considered the above, we are also of the opinion that the terms of the Option Offer, the Proposal and the Scheme are fair and reasonable.

(ii) The special deals in relation to the Rollover Arrangement, the Disposals and the EB Amendment

The approval of the Rollover Arrangement and the Disposals by the Independent Shareholders at the EGM are conditions precedent to the implementation of the Proposal. If the Rollover Arrangement and the Disposals are not approved by the Independent Shareholders, the Proposal will not be implemented and the Scheme will not take effect. In view of that the terms of the Proposal and the Scheme are considered fair and reasonable, we also consider that the approval of the Rollover Arrangement and the Disposals, which is a prerequisite for the implementation of the Proposal, is in the interests of the Company and the Shareholders as a whole, and is in the interests of the Independent Shareholders.

In addition, Best Approach is familiar with the Group’s business (in particular, Best Approach is beneficially owned by Mr. KM Lai and Ms. Loretta Lee who are each a controlling Shareholder, executive Director and a senior management of the Company). Given the background of Best Approach and its beneficial owners, it is important for the Company to retain Best Approach as Shareholders after the Scheme becoming effective so that Best Approach and its beneficial owners will have incentives

to continue to contribute to the future development and growth of the Group. Accordingly, we are of the opinion that the terms of the Rollover Arrangement are fair and reasonable.

The Land Disposal, the Smart Parking Disposal and the Office Building Disposal are part of the arrangement under the proposal for the privatisation of the Company by the Offeror. The consideration for the Disposals were determined with reference to the valuation results of the underlying assets by the independent valuers. We have reviewed the Valuation Reports and discussed with the independent valuers regarding the details of the Land Valuation, the Canvest Technology Valuation and the Properties Valuation. Based on our review, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the Land Valuation, the Canvest Technology Valuation and the Properties Valuation as at 28 February 2025 are in line with the industry practice, and it is appropriate to refer to the Land Valuation, the Canvest Technology Valuation and the Properties Valuation in assessing the fairness of the consideration of the Disposals. The consideration of the Land Disposal is close to the Land Valuation as at 28 February 2025 (representing a slight discount of approximately 0.21%), while the considerations of the Smart Parking Disposal and the Office Building Disposal represent a premium of approximately 19.23% and a premium of approximately 5.10% over the Canvest Technology Valuation and the Properties Valuation respectively as at 28 February 2025, being the latest valuation. We are of the view that the terms of the Disposals are fair and reasonable.

Under the EB Amendment, if the BA Voluntary Early Redemption or SI Voluntary Early Redemption is exercised, the outstanding Exchangeable Bonds would be redeemed, and no Exchangeable Shares will be transferred by Best Approach to Shanghai Industrial. We consider that the retention of Shares by Best Approach in such scenario aligns with the intention of the Rollover Arrangement. Having considered (i) our analysis of the EB Comparable Transactions, in particular that the BA Voluntary Early Redemption and the SI Voluntary Early Redemption are not uncommon; and (ii) the retention of Shares by Best Approach, if the BA Voluntary Early Redemption or the SI Voluntary Early Redemption is exercised, aligns with the intention of the Rollover Arrangement, we are of the view that the terms of the EB Amendments are fair and reasonable.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider that the terms of the Proposal, the Scheme, the Option Offer, the Rollover Arrangement, the Disposals and the EB Amendments are fair and reasonable. Accordingly, we advise the Independent Board Committee (a) to recommend the Independent Shareholders to vote in favour of (i) the Scheme at the Court Meeting and (ii) the Rollover Arrangement, the Disposals and all resolutions necessary to implement the Proposal at the EGM, (b) to recommend the EB Amendment Independent Shareholders to vote in favour of the EB Amendments at the EGM, and (c) to recommend the Optionholder to accept the Option Offer.

Shareholders are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and, having regard to their own circumstances, consider selling their Shares in the open market instead of tendering their Shares under the Scheme, if the net proceeds from such sales exceed the net amount receivable under the Scheme.

Optionholder is reminded to monitor the trading price and liquidity of the Shares during the Offer Period and, having regard to their own circumstances, consider exercising the Share Options prior to the Latest Option Exercise Date and selling their Shares in the open market, instead of accepting the Option Offer, if the net proceeds from such sales exceed the net amount receivable under the Option Offer.

As different Shareholders and/or Optionholder would have different investment criteria, objectives and/or circumstances, we recommend Shareholders and/or Optionholder who may require advice in relation to any aspect of the Scheme Document, or as to any action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

* *For identification purpose only*

This Explanatory Memorandum constitutes the statement required under Order 102, Rule 20(4)(e) of the Grand Court Rules of the Cayman Islands 2023 (As Revised).

1. INTRODUCTION

On 22 July 2024, the Offeror requested, subject to the satisfaction of the Pre-Conditions (which were satisfied on 17 March 2025), the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme under section 86 of the Companies Act, which, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, on the Effective Date, all the Scheme Shares will be cancelled in consideration for the Cancellation Price (less the Dividend Adjustment (if any)) payable in cash by the Offeror. Contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The Rollover Shares will not form part of the Scheme Shares and will not be cancelled.

Upon the Scheme becoming effective, pursuant to the Rollover Agreement, Best Approach will retain the 176,388,620 Rollover Shares, representing approximately 7.22% of the total issued share capital of the Company.

The Offeror will make the Option Offer to the Optionholder to cancel every outstanding Share Option. The Option Offer is conditional upon the Scheme becoming effective.

The purpose of this Explanatory Memorandum is to set out the terms and effects of the Proposal (including the Scheme and the Option Offer), the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and to provide Shareholders with additional information in relation to the Proposal (including the Scheme and the Option Offer), the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the EB Amendments.

Your attention is also drawn to the following sections of this Scheme Document: (i) the letter from the Board set out in Part IV of this Scheme Document; (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (iii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iv) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV of this Scheme Document.

2. PRE-CONDITIONS TO THE MAKING OF THE PROPOSAL

Capital injection in Grandblue Foshan

The Offeror is wholly owned by Grandblue Foshan. Prior to the completion of the Capital Injection, Grandblue Foshan was indirectly wholly owned by Grandblue Environment, a company the shares of which are listed on the Shanghai stock exchange (Shanghai stock code: 600323). As disclosed in the announcement dated 17 January 2025 jointly published by the Company and the Offeror, on 16 January 2025, (i) Nanhai Hengjian Fund made capital injection in the aggregate amount of RMB2 billion into Grandblue Foshan and (ii) Grandblue Environment (via its subsidiary) made an aggregate capital injection in the amount of RMB2.6 billion into Grandblue Foshan (the “**Capital Injection**”). Upon completion of the Capital Injection and as at the Latest Practicable Date, Grandblue Environment (through its wholly owned subsidiaries) and Nanhai Hengjian Fund own approximately 56.52%, and 43.48% of Grandblue Foshan, respectively.

Grandblue Foshan intends to provide all capital raised during the Capital Injection to the Offeror (by way of capital injection or shareholder loan). The Offeror intends to apply such cash to finance the cancellation of the Scheme Shares and the Option Offer. In addition, it is expected that Grandblue Foshan will obtain onshore loan facilities in the PRC (the “**Onshore Loan Facilities**”), which will be provided to the Offeror (by way of capital injection or shareholder loan) and the Offeror intends to apply such cash to finance the cancellation of the Scheme Shares and the Option Offer. If the cash provided by Grandblue Foshan to the Offeror from the capital raised during the Capital Injection and the Onshore Loan Facilities is sufficient to cover the total amount of cash required to finance the cancellation of the Scheme Shares and the Option Offer, the Offeror will not need to draw down any loan from the Offshore Term Loan Facilities. However, if the capital raised during the Capital Injection and the Onshore Loan Facilities are insufficient to cover the total amount of cash required to finance the cancellation of the Scheme Shares and the Option Offer (or if for any other reason, the Onshore Loan Facilities do not complete or capital raised through the Capital Injection or the Onshore Loan Facilities could not be applied to finance the cancellation of the Scheme Shares and the Option Offer), the Offeror will draw down from the Offshore Term Loan Facilities to finance the cash required for the cancellation of the Scheme Shares and the Option Offer. As at the Latest Practicable Date, (i) Grandblue Foshan has not yet provided any capital raised during the Capital Injection to the Offeror; and (ii) the Offeror has not yet obtained the Onshore Loan Facilities.

Nanhai Hengjian Fund is held as to 50%, 49.95% and 0.05% by Nanhai Holding, Guangdong Advanced Manufacturing Industry and Hengjian Asset Management, respectively. As at the Latest Practicable Date, the general partner of Nanhai Hengjian Fund is Hengjian Asset Management and the limited partners of Nanhai Hengjian Fund are (i) Nanhai Holding and (ii) Guangdong Advanced Manufacturing Industry. Hengjian Asset Management is wholly owned by Hengjian Holding. Hengjian Holding is wholly owned by the Guangdong Province SASAC. Nanhai Holding is 90% and

10% owned by Foshan Nanhai State-owned Assets Supervision and Administration Bureau and Department of Finance of Guangdong Province, respectively. Guangdong Advanced Manufacturing Industry is an indirect wholly-owned fund of Hengjian Holding.

The making of the Proposal and completion of the Scheme is conditional upon the following Pre-Conditions having been satisfied:

- (i) the Yuezhan Environmental Disposal, including (a) the completion of the payment of consideration and the completion of the registration procedures of the equity transfer, having been completed within three months from the date of the Announcement; (b) the Group does not record loss from the Yuezhan Environmental Disposal; and (c) there is no debtor and creditor relationship between the Group and Yuezhan Environment and the Group does not assume any responsibility for the debt of Yuezhan Environment. For the avoidance of doubt, the Yuezhan Environmental Disposal would be disposed of to a person who is not a shareholder (nor an associate of the shareholder) of the Company and hence the Yuezhan Environmental Disposal does not constitute a special deal;
- (ii) all necessary internal decision-making procedures and approval and filing procedures in respect of the transactions contemplated under the Proposal having been completed by Grandblue Environment, including (a) the approval of the board of directors of Grandblue Environment; and (b) the approval at the general meeting of the shareholders of Grandblue Environment;
- (iii) the completion of the Capital Injection in the aggregate amount of RMB4.6 billion into Grandblue Foshan;
- (iv) the Group having signed written agreements and/or obtained written preliminary or in-principle confirmation from the relevant financial institutions, guarantors and other entities (if applicable) to resolve the following guarantee issues:
 - (a) guarantee provided by Loyal Step (an indirect wholly-owned subsidiary of the Company), which exceeds the proportion of its shareholding in Huizhou Zhongzhou Environmental Protection Resources Co., Ltd.* (惠州市中洲環保資源有限公司) (an associate of the Group and is owned as to 40% by Loyal Step and 60% by Independent Third Parties); and
 - (b) guarantee provided by any other member of the Group (if any) which exceeds the proportion of its shareholding as set out in the financial statements of the Company as at 30 June 2024 or any other financial statements to be agreed in writing between the Offeror and the Company,

and such written agreements and/or written preliminary or in-principle confirmation having effectively confirmed that the Group will assume limited guarantee liability for the relevant non-consolidated subsidiaries within the proportion of their respective shareholding;

- (v) with respect to the applicable outbound direct investment laws and regulations, all relevant Approvals, registrations, filings, reports (as the case may be), have been obtained from, completed with and/or made to (as the case may be): (a) the Ministry of Commerce of the PRC; (b) the National Development and Reform Commission of the PRC; and (c) the State Administration of Foreign Exchange of the PRC, or the respective local authorities or delegates or institutions authorised by each of (a) to (c); and
- (vi) the completion of the declaration of the concentration of undertakings in China pursuant to the PRC Anti-monopoly Law (which requires merger filing where (1) a transaction constitutes a concentration of undertakings; and (2) the turnover of the undertakings participating in the concentration meets the threshold set out under the PRC Anti-monopoly Law) and obtaining the approval from the State Administration for Market Regulation of the PRC.

As disclosed in the announcement dated 17 March 2025 jointly published by the Company and the Offeror, all of the Pre-Conditions have been satisfied on 17 March 2025.

3. TERMS OF THE PROPOSAL

The Scheme

Under the Proposal, upon the fulfilment or waiver (as applicable) of the Conditions,

- (i) on the Effective Date, all the Scheme Shares will be cancelled in consideration for the Cancellation Price (less the Dividend Adjustment (if any)) payable in cash by the Offeror;
- (ii) contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange with effect immediately after the Effective Date pursuant to Rule 6.15 of the Listing Rules; and

- (iv) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place forthwith following the Effective Date.

Mr. KM Lai and Ms. Loretta Lee have agreed to guarantee the due performance of the obligations and undertakings of Best Approach under the Irrevocable Undertaking jointly and severally. As security for the fulfilment of obligations and undertakings of Best Approach under the Irrevocable Undertaking regarding matters including defects, contingent losses and accounts receivables, the Best Approach Cancellation Price payable to Best Approach will be paid by the Offeror to Best Approach by various instalments. The Deferred Cancellation Price (representing approximately 16.96% of the Best Approach Cancellation Price) will be retained by the Offeror and the Deferred Cancellation Price will only be paid to Best Approach by installments after the relevant obligations, undertakings and warranties under the Irrevocable Undertaking have been satisfied in full or after the payment of the Deferred Cancellation Price is otherwise agreed by the Offeror, Best Approach, Mr. KM Lai and Ms. Loretta Lee in writing, whichever is earlier. The remaining Best Approach Cancellation Price (other than the Deferred Cancellation Price) will be paid to Best Approach directly within seven business days after the Proposal becomes effective. Pursuant to the Irrevocable Undertaking, it has been agreed among the parties pursuant to the Irrevocable Undertaking that the Offeror may retain the Core Deferred Cancellation Price until no earlier than the date falling five years after the Effective Date and that Best Approach, Ms. Loretta Lee and Mr. KM Lai: (a) shall accept all credit risks associated with any delay in payment of such Core Deferred Cancellation Price; and (b) have agreed that, subject to applicable laws, the Core Deferred Cancellation Price does not need to be covered by the financial resources confirmation of the exclusive financial adviser to the Offeror.

In compliance with Rule 20.1(a) of the Takeovers Code, after the Scheme has become effective, the Cancellation Price (other than the Deferred Cancellation Price) for the cancellation of the Scheme Shares will be paid to the relevant Scheme Shareholders whose names appear in the register of members of the Company on the Record Date as soon as possible, but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date.

The Offeror is also making an offer to the Optionholder at the Option Offer Price (which represents the “see-through” price, being the Cancellation Price minus the exercise price of HK\$4.39) in cash to cancel all outstanding Share Options which has not been lapsed on the Record Date in accordance with Rule 13 of the Takeovers Code.

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$4.90 per Scheme Share.

Comparison of value

The Cancellation Price of HK\$4.90 per Scheme Share represents:

- (i) a premium of approximately 20.69% over the closing price of HK\$4.06 per Share as quoted on the Stock Exchange on the last trading day prior to the publication of the Rule 3.7 Announcement;
- (ii) a premium of approximately 17.79% over the average closing price of approximately HK\$4.16 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (iii) a premium of approximately 16.95% over the average closing price of approximately HK\$4.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (iv) a premium of approximately 20.85% over the average closing price of approximately HK\$4.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (v) a premium of approximately 21.77% over the average closing price of approximately HK\$4.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (vi) a premium of approximately 21.78% over the average closing price of approximately HK\$4.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (vii) a premium of approximately 21.27% over the average closing price of approximately HK\$4.04 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (viii) a premium of approximately 23.50% over the average closing price of approximately HK\$3.97 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement;
- (ix) a premium of approximately 11.62% over the closing price of HK\$4.39 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (x) a premium of approximately 12.59% over the average closing price of approximately HK\$4.35 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (xi) a premium of approximately 13.03% over the average closing price of approximately HK\$4.34 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (xii) a premium of approximately 16.90% over the average closing price of approximately HK\$4.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (xiii) a premium of approximately 19.77% over the average closing price of approximately HK\$4.09 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (xiv) a premium of approximately 21.00% over the average closing price of approximately HK\$4.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (xv) a premium of approximately 19.96% over the average closing price of approximately HK\$4.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (xvi) a premium of approximately 23.08% over the average closing price of approximately HK\$3.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (xvii) a premium of approximately 3.16% over the closing price of HK\$4.75 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (xviii) a premium of approximately 21.49% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$4.0332 as at 31 December 2024, based on the audited consolidated net assets of the Group as stated in the annual report of the Company for the financial year ended 31 December 2024 and 2,441,541,169 Shares in issue as at the Latest Practicable Date; and

- (xix) a premium of approximately 21.59% over the unaudited adjusted consolidated net asset value attributable to Shareholders per Share of approximately HK\$4.03 as at 31 December 2024, based on the unaudited adjusted consolidated net assets of the Group as at 31 December 2024 taking into account of the market value of the assets and properties of the Group as at 28 February 2025 as set out in the Valuation Reports in respect of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal set out in Appendix II-A, Appendix II-B and Appendix II-C to this Scheme Document and 2,441,541,169 Shares in issue as at the Latest Practicable Date.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.79 on 10 March 2025 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.79 on 12 January 2024.

Basis for determining the Cancellation Price

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the Offeror's view of the Group's business and future prospects, the recent and historical trading prices of the Shares on the Stock Exchange and the financial performance of the Group, with reference to other similar privatisation transactions in Hong Kong in recent years.

Dividend payment by the Company

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses or is withdrawn (as the case may be).

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive ("**Dividend Adjustment**"), in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

The Share Award Scheme

As at the Latest Practicable Date, (i) there were an aggregate of 10,100,000 Trustee Held Pool Shares held by the Share Award Trustee, which are unutilised under the Share Award Scheme; and (ii) no Share Award was granted or vested under the Share Award Scheme.

All of the Trustee Held Pool Shares which are still held by the Share Award Trustee as of the Record Date shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay to the Share Award Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Pool Shares, which shall be paid by the Share Award Trustee to the Company after the Share Award Trustee receives such amount from the Offeror under the Scheme and upon the termination of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Share Award Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust. Accordingly, all of the Trustee Held Pool Shares will not be voted at the EGM and the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

During the Offer Period, the Company did not, does not intend to and will not grant any Share Awards and therefore the Share Award Trustee did not and will not further acquire Shares on market for the purpose of making grants under the Share Award Scheme.

The Option Offer

As at the Latest Practicable Date, there were 250,000 outstanding Share Options granted under the Share Option Scheme, each relating to one Share with an exercise price of HK\$4.39, which are held by Ms. Loretta Lee, an executive Director.

The Offeror is making the Option Offer to the Optionholder to cancel every outstanding Share Option, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has irrevocably undertaken to the Offeror, among other things, that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of such Share Options held by her.

Under the Option Offer, the Offeror is offering holders of the outstanding Share Options the Option Offer Price which represents the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each outstanding Share Option they hold for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code.

The Option Offer Letter is being sent to each Optionholder, together with the Scheme Document and a Form of Acceptance.

Save for the 2,441,541,169 Shares in issue and the 250,000 Share Options, the Company has no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in issue.

Total consideration and financial resources

On the assumption that (i) no further Shares will be issued before the Record Date; and (ii) taking into account Ms. Loretta Lee will not exercise her Share Options and will accept the Option Offer, the amount of cash required to implement the Proposal and the Option Offer would be approximately HK\$11,099,247,490.10 and HK\$127,500, respectively, and the total amount of cash required is HK\$11,099,374,990.10.

However, it has been agreed among the parties pursuant to the Irrevocable Undertaking that the Offeror may retain the Core Deferred Cancellation Price until no earlier than the date falling five years after the Effective Date and that Best Approach, Ms. Loretta Lee and Mr. KM Lai: (a) shall accept all credit risks associated with any delay in payment of such Core Deferred Cancellation Price; and (b) have agreed that, subject to applicable laws, the Core Deferred Cancellation Price does not need to be covered by the financial resources confirmation of the exclusive financial adviser to the Offeror. Accordingly, the Core Deferred Cancellation Price will not be factored in, and the amount of cash required to implement the Proposal on the Effective Date is HK\$10,882,854,474.78.

As disclosed in the section headed “2. Pre-Conditions to the making of the Proposal — Capital injection in Grandblue Foshan” of this Explanatory Memorandum, Grandblue Foshan intends to provide all cash raised during the Capital Injection and the Onshore Loan Facilities to the Offeror, and the Offeror intends to use such cash to finance the cancellation of the Scheme Shares and the Option Offer. In any event, if the cash raised from the Capital Injection and the Onshore Loan Facilities is for any reason insufficient to finance the cash required for the cancellation of the Scheme Shares and the Option Offer (or if for any other reason, the Onshore Loan Facilities do not complete or capital raised through the Capital Injection or the Onshore Loan Facilities could not be applied to finance the cancellation of the Scheme Shares and the Option Offer), the Offeror shall finance the cash required for the cancellation of the Scheme Shares and the Option Offer from drawing down from term loan facilities of an amount up to HK\$4,700,000,000 and HK\$6,300,000,000 provided by China Merchants Bank Co., LTD., (London Branch) and China CITIC Bank International Limited, respectively (the “**Offshore Term Loan Facilities**”).

CITIC Securities, the exclusive financial adviser to the Offeror, is satisfied that regardless of whether cash from the Capital Injection and Onshore Loan Facilities are applied to finance the cancellation of the Scheme Shares and Option Offer, the Offshore Term Loan Facilities are in aggregate sufficient, and therefore sufficient

financial resources are available, to the Offeror for discharging its obligations in respect of the full implementation of the Scheme (save for the above in relation to the Core Deferred Cancellation Price) and the Option Offer in accordance with their respective terms.

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is and the Scheme will become effective and binding on the Company and all of the Scheme Shareholders, subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (1) (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; and
- (b) the approval of the Scheme (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;
- (2) the passing of:
 - (a) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and
 - (b) an ordinary resolution by a simple majority of the votes casts by the Shareholders present and voting in person or by proxy at the EGM to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit arising in the Company's books of accounts as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares for issuance to the Offeror;
- (3) the sanction of the Scheme (with or without modifications) by the Grand Court and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

- (4) all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with, including all necessary internal decision-making procedures and approval and filing procedures with the competent governmental and/or regulatory authorities in respect of the transactions contemplated under the Proposal having been completed by Best Approach and the Offeror, including (i) the approval of the board of directors of Best Approach; (ii) the approval of the board of directors of the Offeror; and (iii) the approval of the shareholder of the Offeror, and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (5) (i) the receipt by the Company of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (6) (i) the receipt by the Company of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Land Disposal, Smart Parking Disposal and Office Building Disposal are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal, Smart Parking Disposal and Office Building Disposal; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Land Disposal, Smart Parking Disposal and Office Building Disposal;
- (7) all necessary consents in connection with the Proposal and the Scheme which may be required under any existing contractual obligations of any member of the Group being obtained or waived by the relevant party(ies) and remaining in effect (if applicable), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (8) all necessary consents in connection with the Proposal and the Scheme which may be required under any existing contractual obligations of any member of the Group, including all necessary consents of the Relevant Authorities on the change of shareholders from the project companies of the Company, being obtained and remained in effect or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;

- (9) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), or adverse change in the government policies which may have a material adverse effect on the Group's business, from the date of the Announcement up to the date when all the Conditions are satisfied or validly waived (as applicable), other than such actions, proceedings, suits or investigations as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (10) from the date of the Announcement up to the date when all the Conditions are satisfied or validly waived (as applicable), there being no adverse change in the business, assets, financial or trading positions or profits of any member of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal or the Scheme) as a consequence of the implementation of the Proposal or the Scheme could or might reasonably result in;
- (11) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed in the relevant jurisdictions in respect of the whole or any substantial part of the assets and undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole;
- (12) save as publicly announced prior to the date of the Announcement, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be instituted or remain outstanding by, against or in respect of any such member, in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal; and
- (13) all warranties and representations provided by Best Approach under the Irrevocable Undertaking remaining true, accurate and not misleading in all material respects to the extent that it would not cause material and adverse in the context of the Group taken as a whole or in the context of the Proposal and there

having been no material breach of any undertakings, terms and conditions therein which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

The Offeror reserves the right to waive Conditions (6) to (13) either in whole or in part, either generally or in respect of any particular matter. Conditions (1) to (5) cannot be waived in any event. The Company does not have the right to waive any of the Conditions.

For the avoidance of doubt, if Condition (6) is not fulfilled, the Land Disposal, Smart Parking Disposal and Office Building Disposal will not proceed.

In respect of Condition (4), the Company and/or the Offeror is not aware of any necessary statutory or regulatory obligations as well as internal decision making procedure other than (i) the approval of the board of directors of Best Approach; (ii) the approval of the board of directors of the Offeror; and (iii) the approval of the shareholder of the Offeror as disclosed above.

In respect of Condition (7), the Company and/or the Offeror is not aware of any such consents other than those from certain facility agreements entered into by the Group as at the Latest Practicable Date.

In respect of Condition (8) above, save for the necessary internal decision-making procedures and approval and filing procedures with the competent governmental and/or regulatory authorities and consents of the Relevant Authorities on the change of shareholders from the project companies of the Company as disclosed above, the Company and/or the Offeror is not aware of any other consents required under any existing contractual obligations of any member of the Group as at the Latest Practicable Date.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

As at the Latest Practicable Date, other than Condition 4, none of the Conditions has been satisfied.

5. CONDITIONS OF THE OPTION OFFER

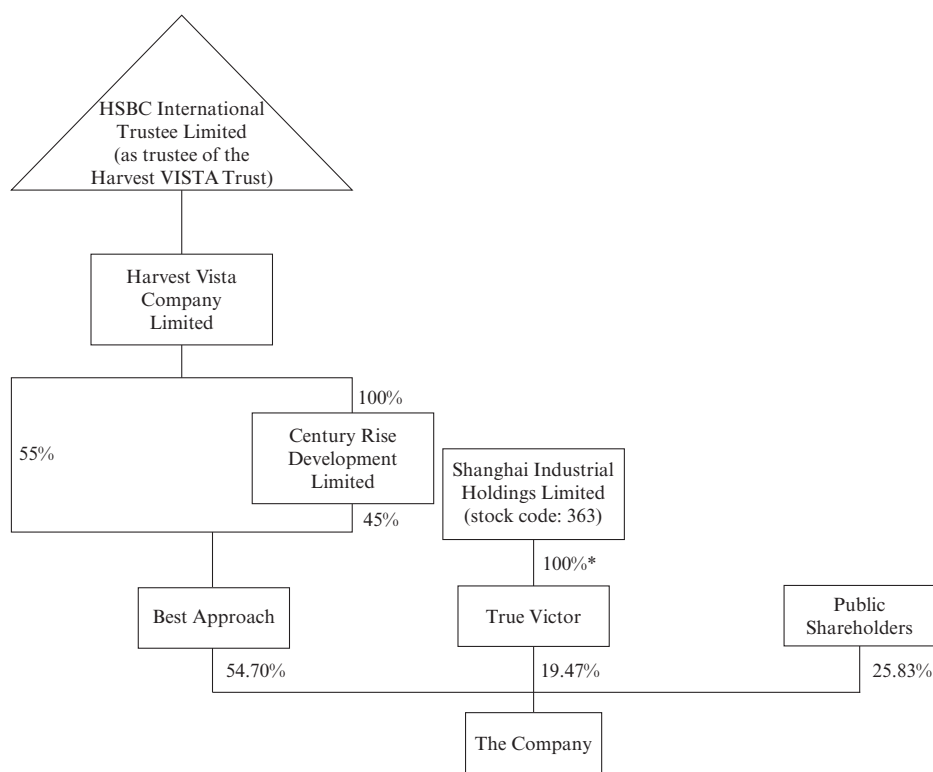
The implementation of the Option Offer is conditional upon the Scheme becoming effective.

Warning: Shareholders, Optionholder and/or potential investors should be aware that the implementation of the Proposal, the Scheme or the Option Offer is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal, the Scheme and the Option Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, Optionholder and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

Shareholding structure of the Company as at the Latest Practicable Date

The chart below shows a simplified shareholding structure of the Company as at the Latest Practicable Date:



Notes:

- (1) *True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial.
- (2) True Victor does not have any relationship with the Offeror.
- (3) Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor) as set out in the announcement of Shanghai Industrial dated 5 October 2023, there is no relationship between Best Approach and True Victor.

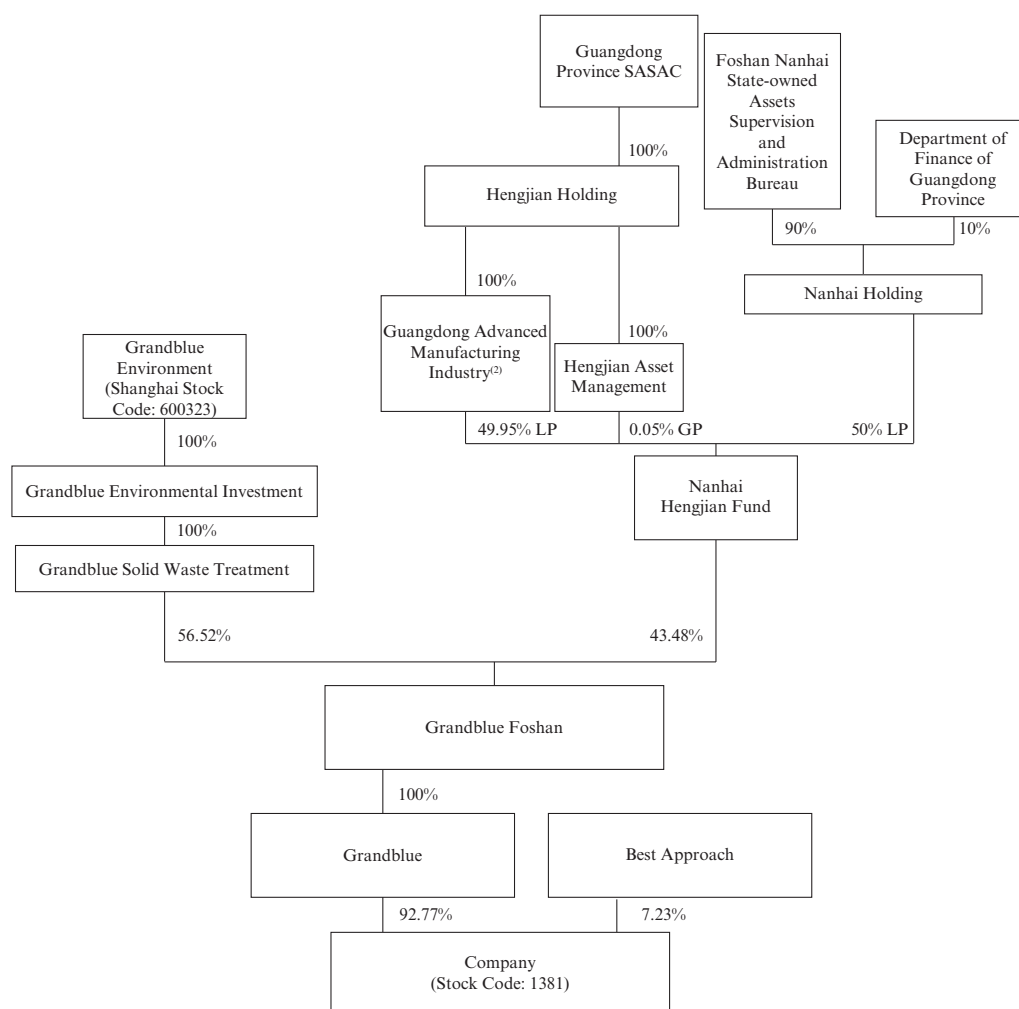
As at the date of the Latest Practicable Date,

- (i) the authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 Shares, and the Company has 2,441,541,169 Shares in issue;
- (ii) the Offeror does not hold any Shares;
- (iii) Best Approach holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company, of which 370,668,722 Shares held by Best Approach, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial. Shanghai Industrial has agreed that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting. 1,159,227,217 of the 1,335,615,837 Shares held by Best Approach, representing approximately 47.48% of the total issued share capital of the Company constitute the Scheme Shares, and the remaining 176,388,620 Shares held by Best Approach, representing approximately 7.22% of the total issued share capital of the Company are Rollover Shares and will not form part of the Scheme Shares. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members);
- (iv) Ms. Loretta Lee holds 1,376,000 Shares, representing approximately 0.06% of the total issued share capital of the Company, and 250,000 Share Options. Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her;
- (v) Mr. CT Lai, an executive Director, holds 250,000 Shares, representing approximately 0.01% of the total issued share capital of the Company;
- (vi) Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse, representing approximately 0.41% of the total issued share capital of the Company;
- (vii) Mr. Yuan Guozhen, an executive Director, holds 250,000 Shares and is deemed to be interested in 357,000 Shares held by his spouse, representing approximately 0.02% of the total issued share capital of the Company;

- (viii) Professor Sha Zhenquan, an independent non-executive Director, holds 100,000 Shares, representing approximately 0.004% of the total issued share capital of the Company;
- (ix) Mr. Chung Kwok Nam, an independent non-executive Director, holds 80,000 Shares, representing approximately 0.003% of the total issued share capital of the Company;
- (x) True Victor holds 475,251,000 Shares, representing approximately 19.47% of the total issued share capital of the Company. True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial. True Victor does not have any relationship with the Offeror. Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor) as set out in the announcement of Shanghai Industrial dated 5 October 2023, there is no relationship between Best Approach and True Victor; and
- (xi) the remaining 618,261,332 Shares together with the 1,159,227,217 Shares held by Best Approach, the 1,376,000 Shares held by Ms. Loretta Lee, the 250,000 Shares held by Mr. CT Lai, the 10,000,000 Shares which Mr. KM Lai is deemed to be interested in, the 250,000 Shares held by and the 357,000 Shares which Mr. Yuan Guozhen is deemed to be interested in, the 100,000 Shares held by Professor Sha Zhenquan, the 80,000 Shares held by Mr. Chung Kwok Nam and the 475,251,000 Shares held by True Victor, representing approximately 92.77% of the total issued share capital of the Company, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Shareholding structure of the Company upon completion of the Proposal

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the chart below shows a simplified shareholding structure of the Company immediately upon the Scheme becoming effective.



Notes:

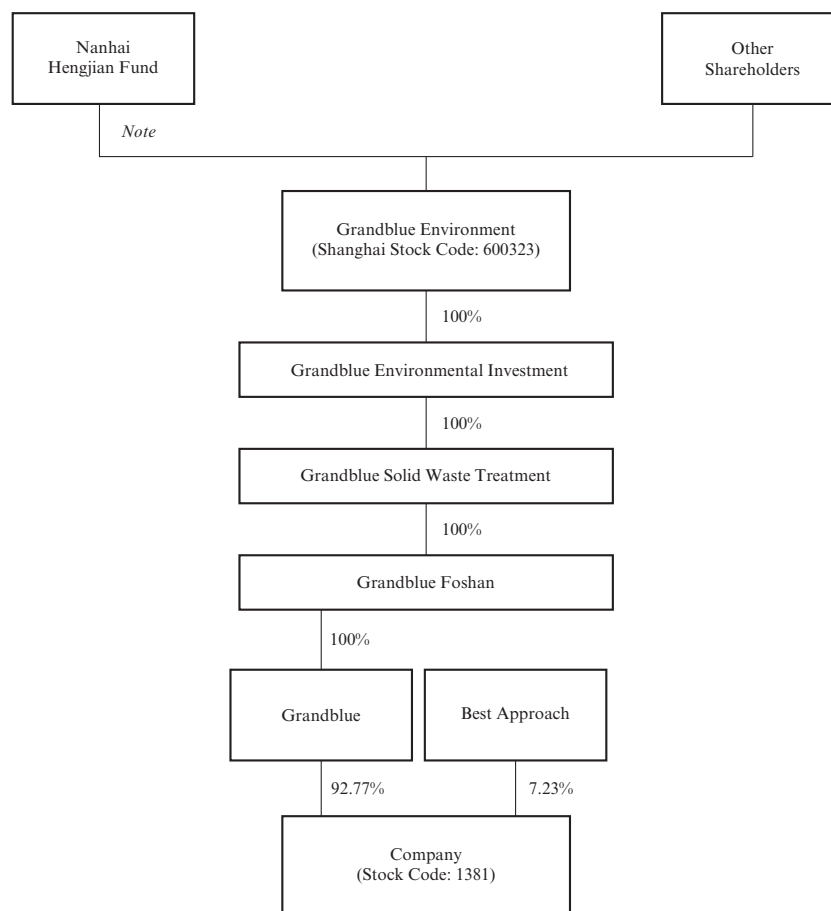
- (1) The percentage figures included in the shareholding structure have been subject to rounding adjustments.
- (2) Guangdong Advanced Manufacturing Industry is an indirect wholly-owned fund of Hengjian Holding.

Issue of Grandblue Environment Shares

After the completion of the Proposal, subject to the fulfilment of the requirements under the PRC laws and regulations and the obtaining of the necessary approvals from the Relevant Authorities in the PRC and Grandblue Environment Shareholders, it is expected that Grandblue Environment/Grandblue Solid Waste Treatment, an indirect wholly-owned subsidiary of Grandblue Environment, will acquire all the equity interest that Nanhai Hengjian Fund holds in Grandblue Foshan at the consideration of (a) Grandblue Environment Shares to be issued by Grandblue Environment to Nanhai Hengjian Fund (“**Issue of Grandblue Environment Shares**”); (b) cash; or (c) any other manner to be agreed by Nanhai Hengjian Fund and Grandblue Environment, at the option of Nanhai Hengjian Fund.

Shareholding structure of the Company upon completion of the Proposal and Issue of Grandblue Environment Shares

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the chart below shows a simplified shareholding structure of the Company immediately upon the Scheme becoming effective and the completion of the Issue of Grandblue Environment Shares:



Notes:

- (1) The percentage of shareholding in Grandblue Environment to be held by Nanhai Hengjian Fund will be subject to the approval by the Relevant Authorities in the PRC and the shareholders of Grandblue Environment.
- (2) The percentage figures included in the shareholding structure have been subject to rounding adjustments.

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective.

Shareholders	As at the Latest Practicable Date		Upon the Scheme becoming effective	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Offeror and Offeror Concert Parties				
Offeror				
Grandblue	—	—	2,265,152,549	92.77
Offeror Concert Parties				
<i>Shares held not subject to the Scheme</i>				
Best Approach ⁽¹⁾	176,388,620	7.22	176,388,620	7.23
<i>Shares held subject to the Scheme</i>				
Best Approach ⁽¹⁾	1,159,227,217	47.48	—	—
Ms. Loretta Lee ^(1,2)	1,376,000	0.06	—	—
Mr. CT Lai ^(2,4)	250,000	0.01	—	—
Mr. KM Lai ⁽³⁾	10,000,000	0.41	—	—
Subtotal	1,347,241,837	55.18	2,441,541,169	100.00
Other Directors				
Mr. Yuan Guozhen ^(5,6)	607,000	0.02	—	—
Professor Sha Zhenquan ⁽⁶⁾	100,000	0.004	—	—
Mr. Chung Kwok Nam ⁽⁶⁾	80,000	0.003	—	—
True Victor ⁽⁷⁾	475,251,000	19.47	—	—
Other Scheme Shareholders	618,261,332	25.32	—	—
Total number of Shares	2,441,541,169	100.00	2,441,541,169	100.00

Notes:

- (1) As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares, of which 370,668,722 Shares, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial. Shanghai Industrial has agreed that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary

beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

Best Approach is an Offeror Concert Party. As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares, among which, 1,159,227,217 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the remaining 176,388,620 Shares are Rollover Shares which will not form part of the Scheme Shares.

- (2) Ms. Loretta Lee, an executive Director, is an Offeror Concert Party. As at the Latest Practicable Date, Ms. Loretta Lee holds 250,000 Share Options. Mr. CT Lai is an executive Director and the spouse of Ms. Loretta Lee. Under the SFO, Ms. Loretta Lee is deemed to be interested in the same number of Shares in which Mr. CT Lai is interested. Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her.
- (3) Mr. KM Lai, an executive Director, is an Offeror Concert Party. Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse, representing approximately 0.41% of the total issued share capital of the Company.
- (4) Mr. CT Lai, an executive Director, is an Offeror Concert Party. Mr. CT Lai holds 250,000 Shares, representing approximately 0.01% of the total issued share capital of the Company.
- (5) Mr. Yuan Guozhen, an executive Director, holds 250,000 Shares and is deemed to be interested in 357,000 Shares held by his spouse, representing approximately 0.01% of the total issued share capital of the Company.
- (6) None of these Directors is acting in concert with the Offeror.
- (7) True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial. True Victor does not have any relationship with the Offeror. Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor) as set out in the announcement of Shanghai Industrial dated 5 October 2023, there is no relationship between Best Approach and True Victor.
- (8) The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures.

By reason of being the financial adviser to the Offeror, CITIC Securities and persons controlling, controlled by or under the same control as CITIC Securities are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code (except for members of the CITIC Securities group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code). As at the Latest Practicable Date, members of the CITIC Securities group do not legally or beneficially own, control or have direction over any Shares (except in respect of the Shares held by members of the CITIC Securities group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code and also excluding the Shares held on behalf of non-discretionary investment clients).

7. SHARE OPTIONS

As at the Latest Practicable Date, there were 250,000 outstanding Share Options granted under the Share Option Scheme, each relating to one Share with an exercise price of HK\$4.39, which are held by Ms. Loretta Lee.

Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has irrevocably undertaken to the Offeror, among other things, that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of such Share Options held by her.

For details of the Option Offer, please refer to the section headed “3. Terms of the Proposal — The Option Offer” of this Explanatory Memorandum.

8. CONNECTED TRANSACTIONS AND SPECIAL DEALS IN RELATION TO THE LAND DISPOSAL, SMART PARKING DISPOSAL AND OFFICE BUILDING DISPOSAL

(1) The Land Disposal

On 22 July 2024 (after trading hours), Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司) (an indirect wholly-owned subsidiary of the Company) (“**Canvest Kewei**”) entered into a sale and purchase agreement with Best Approach (“**Canvest Kewei S&P Agreement**”), pursuant to which Canvest Kewei conditionally agreed to sell, and Best Approach conditionally agreed to purchase, the entire equity interests in a subsidiary to be incorporated by Canvest Kewei (“**Canvest Kewei Subsidiary**”), which will hold the land use rights and structures on the Land for a total consideration of approximately RMB135.0 million. The Canvest Kewei Subsidiary, namely, Shanghai Keda Chuangjia Environmental Protection Co., Ltd.* (上海科達創佳環保有限公司) (“**Shanghai Keda**”), was incorporated on September 27, 2024 and is wholly-owned by Canvest Kewei.

The principal terms of the Canvest Kewei S&P Agreement are summarised as follows:

Date: 22 July 2024 (after trading hours)

Parties involved Best Approach, as buyer

Canvest Kewei, as seller

Assets to be disposed of

Pursuant to the Canvest Kewei S&P Agreement, Canvest Kewei has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in Canvest Kewei Subsidiary, which is to be incorporated in the PRC as a direct wholly-owned subsidiary of Canvest Kewei. The subsidiary, Shanghai Keda, was incorporated on September 27, 2024 and is

wholly-owned by Canvest Kewei. The underlying assets to be disposed of under the Land Disposal are the land use rights and structures on the Land situated at 1/5 of land in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC (中國上海市寶山區月浦鎮3街坊1/5丘土地). As at the Latest Practicable Date, the land use rights and structures on the Land had been transferred from Canvest Kewei to Shanghai Keda.

Transfer of equity interests and registration procedures:

Canvest Kewei shall cooperate with Shanghai Keda in the registration procedures in respect of the Land Disposal in accordance with the applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.

Upon completion of the registration procedures in respect of the Land Disposal, (i) Canvest Kewei will cease to own any interest in Shanghai Keda and the land use rights and structures on the Land; and (ii) Shanghai Keda will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration and valuation method

The consideration under the Canvest Kewei S&P Agreement is RMB134,993,590, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of approximately RMB135 million as at 10 July 2024 based on the valuation report prepared by Shanghai Kedong Real Estate Appraisal Co., Ltd. (上海科東房地產土地估價有限公司), the full text of the updated valuation report is set out in Appendix II-A to this Scheme Document.

The independent valuer adopted the cost approach, which is an approach measuring the replacement cost or reconstruction cost and depreciation of the valuation object at the time of valuation, and subtracting depreciation from the replacement cost or reconstruction cost. According to the independent valuer, there are only a few comparables in the same district as the Land that also include a building under construction. Due to these factors, the independent valuer is of the view that using the comparative approach, income approach, or hypothetical development approach would be inappropriate for the valuation. Instead, the independent valuer has determined that the cost approach is the most suitable method, taking into consideration the availability of information regarding land acquisition costs and early development expenses in the district, as well as the transparency of construction costs. Therefore, the cost approach provides a more accurate valuation of the Land and the property. The formula for calculating the appraised value of construction is as follows: Appraised value = replacement cost — depreciation

The replacement cost of the relevant properties under valuation comprises the acquisition costs of the Land, the construction costs, the management fees, and the sales costs, investment interests, sales related tax and profits in respect of the Land and the relevant structures on the Land. Typically, the depreciation of buildings includes material depreciation, functional depreciation and economic depreciation. Firstly, the design functions of the buildings related to this valuation can meet the needs of normal use, and there is no adverse impact on the properties, so its functional depreciation is considered not appropriate in this valuation. Secondly, the real estate market situation of the domestic waste integrated treatment plant at the time of this valuation is stable; the market supply and demand relationship is basically balanced; and the factors other than market environment, policies and other buildings have not adversely affected this kind of real estate, therefore the economic depreciation is not taken into account in this valuation. Due to aging, wear and damage caused by the use and natural forces of the buildings under this valuation, material depreciation shall be taken into account in the depreciation of the structures on the Land in this valuation. The material depreciation refers to the aging, wear and damage of buildings caused by use and natural forces.

The original acquisition cost of the land use rights and structures on the Land to Canvest Kewei was approximately RMB135 million.

The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of the first payment of the cancellation price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions

The Canvest Kewei S&P Agreement and the transfer of the equity interests in Shanghai Keda are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Land Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Land Disposal; and (iv) the obtaining of the approval of the Scheme by the Independent Shareholders and the Scheme Shareholders and the order sanctioning the Scheme by the Grand Court. None of the aforesaid conditions have been waived as at the date of this Scheme Document. The conditions cannot be waived in any event.

Completion

The completion of the Land Disposal shall take place upon the settlement of the consideration by Best Approach.

Financial Effect of the Land Disposal and intended Use of Proceeds

The carrying value of the Land as at 31 December 2024 amounted to HK\$145.8 million. Therefore, no material gain or loss will be recorded as a result of the Land Disposal. The Group intends to utilize the net proceeds from the Land Disposal for general working capital.

(2) The Smart Parking Disposal

On 22 July 2024 (after trading hours), the Company entered into a sale and purchase agreement with Best Approach, pursuant to which the Company conditionally agreed to sell, and Best Approach conditionally agreed to purchase, the entire equity interests in Canvest Technology Company Limited (“**Canvest Technology**”, being a direct wholly-owned subsidiary of the Company) for a total consideration of approximately HK\$30.0 million (“**Canvest Technology S&P Agreement**”). Upon completion, the Company will cease to own any direct or indirect interest in Canvest Technology.

Canvest Technology Company Limited, through its subsidiaries, is principally engaged in the business of providing smart car parking solutions in the PRC.

The principal terms of the Canvest Technology S&P Agreement are summarised as follows:

Date: 22 July 2024 (after trading hours)

Parties involved Best Approach, as buyer

The Company, as seller

Assets to be disposed of

Pursuant to the Canvest Technology S&P Agreement, the Company has conditionally agreed to sell, and Best Approach has conditionally agreed to acquire the entire equity interests in Canvest Technology. The underlying assets to be disposed of under the Smart Parking Disposal are smart car parking projects located in several regions in the PRC held by Canvest Technology through its subsidiaries and joint venture for more than twelve months. Currently, there are six smart car parking projects in operation, one of which located in Guangdong Province, four of which are located in Hunan Province, and one of which is located in Hubei Province.

Transfer of equity interests and registration procedures

The Company shall cooperate with Canvest Technology in the registration procedures in respect of the Smart Parking Disposal in accordance with applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective. Upon completion of the registration procedures in respect of the Smart Parking Disposal, Canvest Technology will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration and valuation method

The consideration under the Canvest Technology S&P Agreement is HK\$30 million (equivalent to approximately RMB26 million), which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of approximately RMB26 million as at 30 June 2024 based on the valuation report prepared by Masterpiece Valuation Advisory Limited, the full text of the valuation report is set out in Appendix II-B to this Scheme Document.

In determining the appraised value of Canvest Technology, the asset-based approach was adopted to assess the value of identifiable assets and liabilities as listed in the unaudited consolidated balance sheet of Canvest Technology as of 30 June 2024. This included, *inter alia*, the value of plant and equipment, intangible assets, and other payables. The valuation of the assets was conducted using the replacement cost model.

Among the three generally accepted valuation approaches (namely the income approach, the cost approach and the market approach), the income approach was deemed inappropriate due to Canvest Technology's history of net losses and its plans for downsizing operations. Similarly, the market approach could not be reliably applied because comparable market multiples were not available for the same reasons. Given that Canvest Technology was experiencing losses and downsizing, the asset-based approach was considered the most suitable methodology to determine its fair value, which focuses on the fair value of identifiable assets and liabilities, irrespective of the enterprise's profitability. Since Canvest Technology was experiencing losses and downsizing, the asset-based approach was considered suitable.

Under the asset-based approach, the recorded assets held by Canvest Technology were examined and adjusted to their fair value. Assets such as bank balances, prepayments, inventories, and other receivables were assumed to reasonably represent their fair values as book values. The plant and equipment, along with intangible assets, were valued based on the cost approach, which determines fair value by referencing replacement costs. Plant and equipment and intangible assets involved assets used in Canvest Technology's normal business operations. Cost approach determining fair value by reference to replacement costs. The fair value of the plant and equipment, intangible assets and fixed assets

was RMB8.9 million, while the unaudited consolidated carrying amount was RMB53.3 million. For other assets and receivables, cash and cash equivalents, and all liabilities, the net book values should approximate to their fair values as of 30 June 2024. After taking into account all stated liabilities and the shareholder loan to be transferred at nominal value upon completion, an aggregate fair value of RMB26 million was derived for 100% equity interest of Canvest Technology.

The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of first payment of the cancellation price payable by the offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions

The Canvest Technology S&P Agreement and the transfer of equity interests in Canvest Technology are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Smart Parking Disposal is fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Smart Parking Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Smart Parking Disposal; and (iv) the obtaining of the approval of the Scheme by the Independent Shareholders and the Scheme Shareholders and the order sanctioning the Scheme by the Grand Court. None of the aforesaid conditions have been waived as at the date of this Scheme Document. The conditions cannot be waived in any event.

Completion

The completion of the Smart Parking Disposal shall take place upon the settlement of the consideration by Best Approach.

Financial Effect of the Smart Parking Disposal and intended Use of Proceeds

The Group recorded impairment losses on goodwill, other intangible assets, property, plant and equipment and other receivables in relation to smart parking business with the aggregate amount of HK\$52.9 million (with corresponding deferred tax liabilities of HK\$6.1 million reversed) to the consolidated statement of profit and loss) for the year ended 31 December 2024, taking into account the changes in industry conditions and operating environment of smart parking industry. The carrying value of net assets of Canvest Technology as at 31 December 2024 amounted to HK\$23.4 million, therefore resulting to a gain on disposal of HK\$6.6 million. The Group intends to utilize the net proceeds from the Smart Parking Disposal for general working capital.

(3) The Office Building Disposal

On 22 July 2024 (after trading hours), Yi Feng Development Limited (“**Yi Feng**”, being a direct wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with Best Approach, pursuant to which Yi Feng conditionally agreed to sell, and Best Approach conditionally agreed to purchase, the entire equity interests and shareholders’ loan in each of KK VII (BVI) Limited and KK VIII (BVI) Limited (being indirect wholly-owned subsidiaries of the Company) for a total consideration of approximately HK\$165.0 million (“**KK S&P Agreement**”). Upon completion, both Yi Feng Development Limited and the Company will cease to own any direct or indirect interest in each of KK VII (BVI) Limited and KK VIII (BVI) Limited.

Each of KK VII (BVI) Limited and KK VIII (BVI) Limited are investment holding companies, whereby (i) KK VII (BVI) Limited holds a commercial property and a car park space in Hong Kong; and (ii) KK VIII (BVI) Limited holds a commercial property, a car park space and rooftop in Hong Kong.

The principal terms of the KK S&P Agreement are summarised as follows:

Date: 22 July 2024 (after trading hours)

Parties involved: Best Approach, as buyer

Yi Feng, as seller

Assets to be disposed of

Pursuant to the KK S&P Agreement, Yi Feng has conditionally agreed to sell, and Best Approach has conditionally agreed to, acquire the entire equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited.

The underlying assets to be disposed of under the Office Building Disposal are (i) a commercial property situated at 28th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West and a car park space situated at No. P22 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong held by KK VII (BVI) Limited for more than twelve months; and (ii) a commercial property situated at 29th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West, a car park space situated at No. P12 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West and the flat roof above 29th floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong held by KK VIII (BVI) Limited for more than twelve months.

Transfer of equity interests and registration procedures

Yi Feng shall cooperate with KK VII (BVI) Limited and KK VIII (BVI) Limited in the registration procedures in respect of the Office Building Disposal in accordance with applicable laws and regulations, which will be completed before the date on which the Scheme becomes effective.

Upon completion of the registration procedures in respect of the Office Building Disposal, KK VII (BVI) Limited and KK VIII (BVI) Limited will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the consolidated financial statements of the Group.

Consideration and valuation method

The consideration under the KK S&P Agreement is HK\$165 million, which was determined after arm's length negotiations with reference to the appraised value of the underlying assets in the total amount of approximately HK\$165 million as at 30 June 2024 based on the valuation report prepared by Masterpiece Valuation Advisory Limited, the full text of the updated valuation report is set out in Appendix II-C to this Scheme Document.

In valuing the property interests for the underlying assets under the Office Building Disposal, the market approach is adopted, as there are several recent market sales of similar properties located in the neighborhood area. The valuer has adopted the market approach which is generally done by comparing recent market transactions of similar properties located in the neighborhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such transactions against the property. This approach is commonly used to value properties where reliable market evidence is available. The table below sets out the valuation key inputs:

No.	Property address	Key inputs
1	28th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West and a car park space situated at No. P22 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong	Market unit rates: HKD15,000–17,100/sq.ft. (office); HKD1,500,000–2,000,000/ CPS
2	29th Floor, King Kong Commercial Center, No. 9 Des Voeux Road West, a car park space situated at No. P12 on 2nd floor, King Kong Commercial Center, No. 9 Des Voeux Road West and the flat roof above 29th floor, King Kong Commercial Center, No. 9 Des Voeux Road West in Hong Kong	Market unit rates: HKD15,000–17,100/sq.ft. (office); HKD1,500,000–2,000,000/ CPS

The consideration shall be settled by Best Approach in cash and in a lump sum within 30 days from the date of first payment of the total cancellation price payable by the Offeror to Best Approach under the Proposal in accordance with the Takeovers Code.

Conditions

The KK S&P Agreement and the transfer of equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited are conditional upon satisfaction of the following conditions: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Office Building Disposal are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Office Building Disposal; (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Office Building Disposal; and (iv) the obtaining of the approval of the Scheme by the Independent Shareholders and the Scheme Shareholders and the order sanctioning the Scheme by the Grand Court. None of the aforesaid conditions have been waived as at the date of this Scheme Document. The conditions cannot be waived in any event.

Completion

The completion of the Office Building Disposal shall take place upon the settlement of the consideration by Best Approach.

Financial Effect of the Office Building Disposal and intended Use of Proceeds

The underlying assets in relation to KK S&P Agreement are reclassified as “assets held for sale” according to Hong Kong Financial Reporting Standards, and impairment loss of approximately HK\$88.1 million has been recorded in the consolidated statement of profit and loss for the year ended 31 December 2024. The carrying value of KK VII (BVI) Limited and KK VIII (BVI) Limited as at 31 December 2024 amounted to a total of HK\$161.2 million, therefore resulting to a gain on disposal of HK\$3.8 million. The Group intends utilize the net proceeds from the Office Building Disposal for general working capital.

Financial Information on the target companies

Shanghai Keda

Shanghai Keda is a limited liability company established under the laws of the PRC and is a direct wholly-owned subsidiary of Canvest Kewei and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding and the development of the Land. As it is a newly established company, its financial results for the two preceding financial years as at the date of the Scheme Document is unavailable.

Canvest Technology

Canvest Technology is a limited liability company incorporated under the laws of BVI and is a direct wholly-owned subsidiary of the Company. It is an investment holding company and principally engaged in the business of providing smart car parking solutions in the PRC through its subsidiaries and joint venture.

According to the audited consolidated financial information of Canvest Technology prepared in accordance with Hong Kong Financial Reporting Standards the consolidated total assets and net assets of Canvest Technology as at 31 December 2024 are approximately HK\$39,836,000 and HK\$23,376,000, respectively. A summary of the consolidated financial information of Canvest Technology for years ended 31 December 2023 and 2024 is tabled below:

	For the year ended 31 December 2023 HKD'000 (audited)	For the year ended 31 December 2024 HKD'000 (audited)
Net loss before taxation and extraordinary items	23,624	64,143
Net loss after taxation and extraordinary items	22,808	57,886

KK VII (BVI) Limited and KK VIII (BVI) Limited

KK VII (BVI) Limited and KK VIII (BVI) Limited are both limited liability companies incorporated under the laws of BVI and are indirect wholly-owned subsidiaries of the Company. They are both principally engaged in investment holding.

According to the audited financial information of KK VII (BVI) Limited and KK VIII (BVI) Limited prepared in accordance with Hong Kong Financial Reporting Standards, the total assets and net assets of KK VII (BVI) Limited as at 31 December 2024 are approximately HK\$78,191,000 and HK\$78,127,000, the total assets and net assets of KK VIII (BVI) Limited as at 31 December 2024 are approximately HK\$82,022,000 and HK\$82,621,000, respectively. A summary of the audited financial information of KK VII (BVI) Limited and KK VIII (BVI) Limited for years ended 31 December 2023 and 2024 is tabled below:

	For the year ended 31 December 2023 <i>HKD'000</i> (audited)	For the year ended 31 December 2024 <i>HKD'000</i> (audited)
KK VII (BVI) Limited		
Net loss before taxation and extraordinary items	3,028	56,794
Net loss after taxation and extraordinary items	2,913	56,794
KK VIII (BVI) Limited		
Net loss before taxation and extraordinary items	2,884	60,509
Net loss after taxation and extraordinary items	2,111	60,509

(4) Reasons for and benefits of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal

Given that the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are part of the arrangement under the possible pre-conditional proposal for the privatisation of the Company, it is agreed that Best Approach will acquire the entire equity interests in Shanghai Keda, Canvest Technology, KK VII (BVI) Limited and KK VIII (BVI) Limited on the terms and subject to the conditions set out in the respective sale and purchase agreements. In addition, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal represents a transaction at an opportune time and allows the Group and Best Approach to reallocate their assets and also help the Group to streamline its asset's structure. The Board (including members of the Independent Board Committee) considers that each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal is entered into on normal commercial terms and the terms and conditions of which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

(5) Listing Rules and Takeovers Code implications

As at the Latest Practicable Date, Best Approach owns approximately 54.70% of the total issued share capital of the Company and is a connected person of the Company under the Listing Rules. Accordingly, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal exceeds 0.1% but is less than 5%, each of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are not capable of being extended to all Shareholders, the Land Disposal, the Smart Parking Disposal and the Office Building Disposal constitute special deals and require the consent of the Executive under Note 4 to Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive in relation to the Land Disposal, the Smart Parking Disposal and the Office Building Disposal. Such consent, if granted will be conditional on: (i) the independent financial adviser to the Independent Board Committee confirming that the Land Disposal, the Smart Parking Disposal and the Office Building Disposal are fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Land Disposal, the Smart Parking Disposal and the Office Building Disposal.

Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee and those who are interested in or involved in the Land Disposal, the Smart Parking Disposal and the Office Building Disposal will abstain from voting on the resolution to approve the Land Disposal, the Smart Parking Disposal and the Office Building Disposal at the EGM.

9. SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT

The Offeror proposes to allow Best Approach to retain the 176,388,620 Rollover Shares, representing approximately 7.22% of the total issued share capital of the Company after the Scheme becomes effective. As at the Latest Practicable Date, Best Approach holds approximately 54.70% of the total issued share capital of the Company.

The Offeror is of the view that it is important for the Company to retain Best Approach as a Shareholder after the completion of the Scheme so that the Offeror can draw upon the experience and long-term involvement of Best Approach and its beneficial owners in the business and operations of the Company to ensure that the benefits of synergies and collaboration between the Offeror and the Company continue to be realised, which will enhance the competitiveness of the Offeror and the Company in the market and benefit the long-term sustainable development and growth of the Offeror and the Company.

Pursuant to the Irrevocable Undertaking, the Offeror and Best Approach have agreed, among others, the following in relation to the Rollover Arrangement:

- (a) subject to the fulfilment of the Rollover Conditions, the Offeror and Best Approach agreed that (i) upon the Scheme becoming effective, Best Approach will continue to be a Shareholder and the 176,388,620 Shares held by Best Approach will not constitute the Scheme Shares, and Best Approach shall not vote at the Court Meeting in respect of the Scheme and shall not vote in respect of the Rollover Arrangement at the EGM; (ii) the Rollover Shares will not be cancelled on the Effective Date; and (iii) after the Effective Date, Best Approach will continue to be a Shareholder and will be entitled, with respect to the Rollover Shares, to any dividends, rights and distributions declared and paid on and after the Effective Date in its capacity as the legal and beneficial owner of the Company;
- (b) subject to the fulfilment of the Rollover Conditions, Best Approach will continue to be a Shareholder. Best Approach, Mr. KM Lai and Ms. Loretta Lee (as Best Approach's guarantors) and the Offeror agreed that after the Effective Date, the Offeror will be responsible for the allocation, collection and management of the funds of the Group. Best Approach, Mr. KM Lai and Ms. Loretta Lee (as Best Approach's guarantors) have undertaken that after the Effective Date, Best Approach will not intervene in the allocation, collection and management of the funds of the Group except with the written consent of the Offeror; and
- (c) Best Approach, Mr. KM Lai and Ms. Loretta Lee (as Best Approach's guarantors) jointly and severally represent, guarantee and undertake to the Offeror that Best Approach is the sole beneficial owner of the Rollover Shares and that the Rollover Shares are free from any encumbrances.

Rollover Conditions

The implementation of the Rollover Arrangement is subject to the fulfilment of the Rollover Conditions:

- (a) the receipt of an opinion from the independent financial adviser to the Independent Board Committee established for the purpose of the Proposal confirming that the Rollover Arrangement is fair and reasonable as far as the Independent Shareholders are concerned;
- (b) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement;
- (c) the Scheme becomes effective; and
- (d) the grant of consent from the Executive in respect of the Rollover Arrangement.

The Rollover Arrangement will be terminated if (i) the Yuezhao Environmental Disposal is not completed within three months from the date of the Announcement and/or any of the Pre-Conditions (other than the Yuezhao Environmental Disposal) is not satisfied on or before the Pre-Conditions Long Stop Date; (ii) the Proposal and the Scheme do not become effective by the Long Stop Date; (iii) the Scheme is not sanctioned by the Grand Court; (iv) the requisite resolutions necessary to implement the Proposal are or any transaction disclosed in the Announcement that requires approval of the Shareholders is not approved at the EGM; (v) Best Approach and the Offeror mutually agree to terminate the Irrevocable Undertaking in writing; or (vi) the Proposal or Share Option Offer is withdrawn or lapses.

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement. Accordingly, as set out in Condition (5), the Proposal and the Scheme are subject to (i) the receipt by the Company of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the consent from the Executive in respect of the Rollover Arrangement.

Best Approach is considered to be acting in concert with the Offeror for the purpose of the Takeovers Code as a result of the Rollover Arrangement. Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee and those who are interested in or involved in the Rollover Arrangement will abstain from voting on the resolution to approve the Rollover Arrangement at the EGM.

10. SPECIAL DEAL IN RELATION TO AMENDMENTS TO EXCHANGEABLE BONDS TERMS AND CONDITIONS

The Company was informed by Best Approach that, on 9 April 2025 (after trading hours), Best Approach as the issuer, Shanghai Industrial as the subscriber and Ms. Loretta Lee as the guarantor, to the Exchangeable Bonds (as defined in the announcement dated 5 October 2023 (the “**Exchangeable Bonds Announcement**”) published by Shanghai Industrial) entered into an amendment agreement (the “**Amendment Agreement**”) to amend (the “**EB Amendments**”) certain terms and conditions of the Exchangeable Bonds (the “**Exchangeable Bonds Terms and Conditions**”).

The principal terms of the Amendment Agreement are set out below:

Date: 9 April 2025

Parties: (1) Best Approach (as the issuer)
(2) Shanghai Industrial (as the subscriber)
(3) Ms. Loretta Lee (as the guarantor)
(each a “**Party**”, and together, the “**Parties**”)

Amendments: The Parties agree to amend the Exchangeable Bonds Terms and Conditions to provide, among other things, new reciprocal voluntary early redemption rights as follows:

(1) The BA Voluntary Early Redemption

- (a) Best Approach shall have a voluntary early redemption right pursuant to which it may, at any time prior to the maturity date of the Exchangeable Bonds as set out in the Exchangeable Bonds Announcement (the “**Maturity Date**”), redeem the outstanding Exchangeable Bonds (the “**BA Voluntary Early Redemption**”) at an amount equal to the sum of (i) the principal amount of the Exchangeable Bonds (the “**Principal Amount**”) (plus accrued but unpaid interest based on the then applicable interest rate of the Exchangeable Bonds), plus (ii) the Early Redemption Fee (as defined below) (together, the “**BA Early Redemption Price**”).

- (b) Upon Best Approach notifying Shanghai Industrial of a proposed BA Voluntary Early Redemption (the “**BA Early Redemption Notice**”) and if, at such time, there is any matter which, if completed, will result in the occurrence of any event set out under paragraph (i) or (ii) of the paragraph headed “*Early redemption at the option of Company*” of the Exchangeable Bonds Announcement (each a “**BA Relevant Transaction**”) is ongoing or has been announced on the Stock Exchange website, then Best Approach shall, on the completion date of the BA Voluntary Early Redemption specified in the BA Early Redemption Notice, which shall be no sooner than 20, but no later than 60, business days after the date of the BA Early Redemption Notice (the “**BA Early Redemption Date**”), pay to Shanghai Industrial the BA Early Redemption Price.
- (c) If, at the time of the BA Early Redemption Notice, no BA Relevant Transaction is ongoing or has been announced on the Stock Exchange website, Shanghai Industrial shall have the right to object to the proposed Best Approach Voluntary Early Redemption, which then shall not be consummated.
- (d) The “**Early Redemption Fee**” in respect of the Exchangeable Bonds means the following:

$$A \times B \times C/D$$

Where:

A = the outstanding Principal Amount as at the BA Early Redemption Date

B = 3.4%

C = 180 (or, if lower, the number of days from the BA Early Redemption Date to the Maturity Date)

D = 360

(2) The SI Voluntary Early Redemption

- (a) Conversely, Shanghai Industrial shall also have a voluntary early redemption right pursuant to which it may, at any time prior to the Maturity Date, redeem the outstanding Exchangeable Bonds (the “**SI Voluntary Early Redemption**”), at an amount equal to the Principal Amount (plus accrued but unpaid interest at the then applicable interest rate of the Exchangeable Bonds) (the “**SI Early Redemption Price**”).
- (b) Upon Shanghai Industrial notifying Best Approach of a proposed SI Voluntary Early Redemption (the “**SI Early Redemption Notice**”) and if, at such time, any event set out under the paragraph headed “*Early redemption at the option of Best Approach*” of the Exchangeable Bonds Announcement has occurred (each, a “**SI Relevant Transaction**”), Best Approach shall pay to Shanghai Industrial the SI Early Redemption Price on the redemption date specified in the SI Early Redemption Notice.
- (c) If, at the time of the SI Early Redemption Notice, no SI Relevant Transaction has occurred, Best Approach shall have the right to object to the proposed SI Voluntary Early Redemption, which then shall not be consummated.

Conditions
precedent:

The EB Amendments shall be conditional upon (i) the Executive granting its consent to the EB Amendments Special Deal (as defined below), (ii) the Independent Financial Adviser confirming that the terms of the EB Amendments are fair and reasonable so far as the EB Amendments Independent Shareholders are concerned; and (iii) the passing of an ordinary resolution by the EB Amendments Independent Shareholders at the EGM to approve the EB Amendments (together, the “**EB Amendments Conditions**”).

The EB Amendments is an arrangement among Best Approach, Ms. Loretta Lee (each being a party acting in concert with the Offeror) and Shanghai Industrial (being an indirect substantial shareholder of the Company through its indirect wholly-owned subsidiary, True Victor), which is not capable of being extended to all Shareholders. As such, the EB Amendments constitute a special deal which require the consent of the Executive under Rule 25 of the Takeovers Code.

The Company understands from Best Approach that it has applied to the Executive for consent to the EB Amendments Special Deal and such consent, if granted, will be subject to satisfaction of the other EB Amendments Conditions. Satisfaction of the EB Amendment Conditions is not one of the Pre-Conditions or Conditions of the Proposal and the Scheme. Therefore, if all the Pre-Conditions and Conditions are satisfied (or waived, as the case may be), the implementation of the Proposal and the effectiveness of the Scheme will not be subject to whether the EB Amendments Conditions are satisfied or whether the Amendment Agreement will complete.

The Independent Financial Adviser has stated in the letter from the Independent Financial Adviser that in its opinion, the terms of the EB Amendments are fair and reasonable.

As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares (representing approximately 54.70% of the total Shares in issue), Ms. Loretta Lee holds 1,376,000 Shares (representing approximately 0.06% of the total Shares in issue), Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse (representing approximately 0.41% of the total Shares in issue), Mr. CT Lai holds 250,000 Shares (representing approximately 0.01% of the total issued share capital of the Company) and True Victor holds 475,251,000 Shares (representing approximately 19.47% of the total Shares in issue). Best Approach, Mr. KM Lai, Ms. Loretta Lee, Mr. CT Lai and True Victor will abstain from voting on the proposed resolution(s) in respect of the EB Amendments at the EGM. Given the EB Amendments is not one of the Pre-Conditions or Conditions, True Victor is an Independent Shareholder.

11. IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, (i) Best Approach holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company, of which 370,668,722 Shares held by Best Approach, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial; (ii) Ms. Loretta Lee holds 1,376,000 Shares, representing approximately 0.06% of the total issued share capital of the Company; and (iii) Ms. Loretta Lee owns 250,000 Share Options. The aggregate number of Shares and Share Options owned by Best Approach and/or Ms. Loretta Lee that are subject to the Irrevocable Undertaking is 1,336,991,837 Shares, representing approximately 54.76% of the total issued share capital of the Company as at the Latest Practicable Date, and 250,000 Share Options, respectively.

On 22 July 2024, Best Approach (as the covenantor), Mr. KM Lai and Ms. Loretta Lee (as Best Approach's guarantors) and the Offeror entered into the Irrevocable Undertaking, pursuant to which each of Best Approach, Mr. KM Lai and Ms. Loretta Lee irrevocably and unconditionally undertook to the Offeror, among other things, that it/he/she will, and will procure and ensure that during the term of the Irrevocable Undertaking:

- (i) Best Approach and Ms. Loretta Lee will, so far as permitted under the relevant laws and regulations (including the Takeovers Code), exercise all voting rights attached to the IU Shares in favour of all the resolutions necessary to implement

the Proposal and any such other matters in connection therewith at the EGM to be convened for the purposes of passing the necessary resolutions for, among others, the implementation of the Proposal, and not to (a) encourage, solicit or promote offers by any person other than the Offeror to acquire any Shares (whether by way of an offer, scheme of arrangement or otherwise), accept any other offers involving the IU Shares; (b) sell, transfer or otherwise dispose of or pledge the IU Shares (save for the Pledged Shares); (c) purchase or acquire any other Shares without the prior written consent of Offeror; or (d) take any actions which may adversely affect or impede giving effect to the Scheme; and

- (ii) Ms. Loretta Lee will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her.

Due to the Rollover Arrangement, the special deals in relation to the Land Disposal, Smart Parking Disposal, Office Building Disposal and the special deal in relation to the EB Amendments, in accordance with the requirements of the relevant laws and regulations (including the Takeovers Code), Best Approach, Mr. KM Lai, Ms. Loretta Lee and Mr. CT Lai will abstain from voting (i) on the Scheme at the Court Meeting; and (ii) on the special deals in relation to the Rollover Arrangement, the Land Disposal, Smart Parking Disposal, Office Building Disposal and the EB Amendments at the EGM, and True Victor will abstain from voting on the EB Amendments at the EGM. Each of Best Approach, Mr. KM Lai, Ms. Loretta Lee and Mr. CT Lai have provided an undertaking to the Grand Court (a) not to vote at the Court Meeting and will procure that any Shares in respect of which it/he/she is legally or beneficially interested will not be represented or voted at the Court Meeting and (b) to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it/him/her for the purpose of giving effect to the Scheme.

Best Approach has also given, among others, customary representations and warranties in relation to, among others, the business operation, financial conditions, liabilities/contingent liabilities of the Group. Mr. KM Lai and Ms. Loretta Lee have agreed to guarantee the due performance of the obligations and undertakings of Best Approach under the Irrevocable Undertaking jointly and severally. As security for the fulfilment of obligations and undertakings of Best Approach under the Irrevocable Undertaking regarding matters including defects, contingent losses and accounts receivables, the Best Approach Cancellation Price payable to Best Approach will be paid by the Offeror to Best Approach by various instalments. The Deferred Cancellation Price (representing approximately 16.96% of the Best Approach Cancellation Price) will be retained by the Offeror and the Deferred Cancellation Price will only be paid to Best Approach by installments after the relevant obligations, undertakings and warranties under the Irrevocable Undertaking have been satisfied in full or the payment of the Deferred Cancellation Price is otherwise agreed by the Offeror, Best Approach, Mr. KM Lai and Ms. Loretta Lee in writing, whichever is earlier. The remaining Best Approach Cancellation Price (other than the Deferred Cancellation Price) will be paid to Best Approach directly within seven business days after the Proposal becomes effective. Pursuant to the Irrevocable Undertaking, it has been agreed among the parties pursuant to the Irrevocable Undertaking that the Offeror may retain the Core Deferred Cancellation Price until no earlier than the

date falling five years after the Effective Date and that Best Approach, Ms. Loretta Lee and Mr. KM Lai: (a) shall accept all credit risks associated with any delay in payment of such Core Deferred Cancellation Price; and (b) have agreed that, subject to applicable laws, the Core Deferred Cancellation Price does not need to be covered by the financial resources confirmation of the exclusive financial adviser to the Offeror.

The Irrevocable Undertaking will be terminated if (i) the Yuezhan Environmental Disposal is not completed within three months from the date of the Announcement and/or any of the Pre-Conditions (other than the Yuezhan Environmental Disposal) is not satisfied on or before the Pre-Conditions Long Stop Date; (ii) the Proposal and the Scheme do not become effective by the Long Stop Date; (iii) the Scheme is not sanctioned by the Grand Court; (iv) the requisite resolutions necessary to implement the Proposal are or any transaction disclosed in the Announcement that requires approval of the Shareholders is not approved at the EGM; (v) Best Approach and the Offeror mutually agree to terminate the Irrevocable Undertaking in writing; or (vi) the Proposal or Share Option Offer is withdrawn or lapses.

Pursuant to the Irrevocable Undertaking,

- (i) Best Approach, Mr. KM Lai and Ms. Loretta Lee have undertaken that:
 - (a) the Yuezhan Environmental Disposal will be completed within three months after the date of the Announcement and the Group will not record loss from the Yuezhan Environmental Disposal;
 - (b) the registration procedures in respect of the Land Disposal will be completed before the Effective Date and the payment of consideration in respect of the Land Disposal will be completed within 30 days from the date of payment of the Best Approach Cancellation Price (other than the Deferred Cancellation Price) by the Offeror to Best Approach in accordance with the Takeovers Code and the Group does not record loss from the Land Disposal;
 - (c) the registration procedures in respect of the Smart Parking Disposal and Office Building Disposal will be completed before the Effective Date and the payment of consideration in respect of the Smart Parking Disposal and Office Building Disposal will be completed within 30 days from the date of payment of the Best Approach Cancellation Price (other than the Deferred Cancellation Price) by the Offeror to Best Approach in accordance with the Takeovers Code;
 - (d) all tax expenses related to the Land Disposal, Smart Parking Disposal and Office Building Disposal shall be borne by Best Approach solely and no tax expense shall be borne by the Group in relation to the Land Disposal, Smart Parking Disposal and Office Building Disposal;

(ii) Each of Best Approach, Mr. KM Lai and Ms. Loretta Lee jointly and severally agreed to pay the Offeror RMB300 million as compensation within 60 days after the Company publishes an announcement on the lapse of the Proposal should any one or more of the following have resulted in the lapse of the Proposal:

- (a) if the Yuezhao Environmental Disposal is not completed within three months from the date of the Announcement and has resulted in the lapse of the Proposal;
- (b) the Group has failed to obtain signed written agreements and/or written preliminary or in-principle confirmation from the relevant financial institutions, guarantors and other entities (if applicable) to resolve the following guarantee issues prior to the Pre-Conditions Long Stop Date:
 - (1) guarantee provided by Loyal Step (an indirect wholly-owned subsidiary of the Company) which exceeds the proportion of its shareholding in Huizhou Zhongzhou Environmental Protection Resources Co., Ltd.* (惠州市中洲環保資源有限公司) (an associate of the Group and is owned as to 40% by Loyal Step and 60% by Independent Third Parties); and
 - (2) guarantee provided by any other member of the Group (if any) which exceeds the proportion of its shareholding as set out in the financial statements of the Company as at 30 June 2024 or any other financial statements to be agreed in writing between the Offeror and the Company,

and failed to obtain such written agreements and/or written preliminary or in-principle confirmation effectively confirming that the Group will assume limited guarantee liability for the relevant non-consolidated subsidiaries within the proportion of their respective shareholding;

- (c) if the Land Disposal is not completed due to reason(s) caused by Best Approach, Mr. KM Lai or Ms. Loretta Lee (other than objective reasons such as laws, regulations and regulatory policy restrictions) and Condition (6) is not waived by the Offeror;
- (d) if the Smart Parking Disposal and/or the Office Building Disposal is/are not completed due to reason(s) caused by Best Approach, Mr. KM Lai or Ms. Loretta Lee (other than objective reasons such as laws, regulations and regulatory policy restrictions) and Condition (6) is not waived by the Offeror;
- (e) the Pledged Shares which have been pledged by Best Approach to Shanghai Industrial have affected the implementation of the Proposal which resulted in the lapse of the Proposal; or
- (f) prior to the termination of the Irrevocable Undertaking, Best Approach, Mr. KM Lai or Ms. Loretta Lee has encouraged, solicited or promoted any other offer by any person other than the Offeror (or person(s) approved by the

Offeror) to acquire any Shares (whether by way of an offer, scheme of arrangement or otherwise), or accepted any other offer by any person other than the Offeror (or person(s) approved by the Offeror), which resulted in the lapse of the Proposal.

- (iii) For the avoidance of doubt, if Best Approach, Mr. KM Lai and Ms. Loretta Lee are required to pay compensation of RMB300 million to the Offeror due to one or more of the matters in paragraph (ii) above, the total amount of compensation that Best Approach, Mr. KM Lai and Ms. Loretta Lee are required to pay to the Offeror pursuant to paragraph (ii) above is RMB300 million and Best Approach, Mr. KM Lai and Ms. Loretta Lee do not need to provide other compensation to the Offeror other than RMB300 million in relation to paragraph (ii) above.
- (iv) The Offeror agreed to pay the Company RMB300 million as compensation (a) within 60 days after the Company publishes an announcement on the lapse of the Proposal if all the Pre-Conditions (other than Pre-Condition (iii)) have been fulfilled, and Nanhai Hengjian Fund has made capital injection in the aggregate amount of RMB2 billion into Grandblue Foshan, on or before the Pre-Conditions Long Stop Date however Grandblue Environment or its subsidiary fails to make an aggregate capital injection in the amount of RMB2.6 billion to Grandblue Foshan on or before the Pre-Conditions Long Stop Date; or (b) within 60 days after the Company publishes an announcement on the Effective Date of the Proposal, should the Offeror fail to pay the Best Approach Cancellation Price (other than the Deferred Cancellation Price) within seven business days after the Scheme becomes effective in accordance with the Takeovers Code due to reasons of the Offeror other than objective reasons such as laws, regulations and regulatory policy restrictions.
- (v) For the avoidance of doubt, if the Offeror is required to pay compensation of RMB300 million to the Company due to one or more of the matters in paragraph (iv) above, the total amount of compensation that the Offeror is required to pay to the Company pursuant to paragraph (iv) above is RMB300 million, and the Offeror does not need to provide other compensation to the Company other than RMB300 million in relation to paragraph (iv) above.
- (vi) The obligations in paragraphs (ii) to (v) above shall survive the termination of the Irrevocable Undertaking.

12. UNDERTAKING IN RELATION TO THE PLEDGED SHARES

Best Approach has executed an Undertaking in favour of the Offeror in relation to the Pledged Shares. Pursuant to the Undertaking, Best Approach has undertaken that prior to the date of the Scheme Document, Best Approach shall obtain the written consent from Shanghai Industrial to release the Pledged Shares, which have been pledged by Best Approach to Shanghai Industrial, before the Effective Date.

As at the Latest Practicable Date, Best Approach has obtained the written consent from Shanghai Industrial that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting.

13. INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1381). The principal activity of the Company is investment holding. The principal activities of the Group are the operation and management of waste-to-energy plants, provision of environmental hygiene and related services and integrated smart city management services across several regions in the PRC.

14. INFORMATION ON THE OFFEROR

Information of Grandblue

Grandblue is an investment holding company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, save for the Proposal, Grandblue has not engaged in any business activities. Grandblue is an indirect subsidiary of Grandblue Environment, a joint stock limited company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Shanghai stock code: 600323).

Grandblue Environment is focused on the environmental service industry. Its business scope covers solid waste treatment, energy, water supply and drainage. As at the Latest Practicable Date, Grandblue Environment does not have any controlling shareholder (as defined in the Listing Rules). As at 31 December 2024, based on the public information available to Grandblue, the five largest shareholders of Grandblue Environment are Foshan Nanhai Water Supply Group Co., Ltd.* (佛山市南海供水集團有限公司), Nanhai Holding, SDIC Power Holdings Co., Ltd.* (國投電力控股股份有限公司), Foshan Nanhai Urban Construction Investment Co., Ltd.* (佛山市南海城市建設投資有限公司) and National Social Security Fund 101 Portfolio* (全國社保基金一零一組合), holding approximately 17.15%, 15.62%, 8.10%, 4.96% and 1.75% of the equity interest in Grandblue Environment, respectively.

Information of Nanhai Hengjian Fund

Nanhai Hengjian Fund is a limited partnership enterprise established in the PRC. Nanhai Hengjian Fund is held as to 50%, 49.95% and 0.05% by Nanhai Holding, Guangdong Advanced Manufacturing Industry and Hengjian Asset Management, respectively.

As at the Latest Practicable Date, the general partner of Nanhai Hengjian Fund is Hengjian Asset Management. Hengjian Asset Management is wholly owned by Hengjian Holding. Hengjian Holding is wholly owned by the Guangdong Province SASAC.

As at the Latest Practicable Date, the limited partners of Nanhai Hengjian Fund (i) are Nanhai Holding and (ii) Guangdong Advanced Manufacturing Industry. Nanhai Holding is 90% and 10% owned by Foshan Nanhai State-owned Assets Supervision and Administration Bureau and Department of Finance of Guangdong Province, respectively. Guangdong Advanced Manufacturing Industry is an indirect wholly-owned fund of Hengjian Holding. The principal business of Nanhai Hengjian Fund is investment management.

As at the Latest Practicable Date, the Offeror, Nanhai Hengjian Fund and their respective ultimate beneficial owners do not hold any Shares or other securities of the Company and are third parties independent of the Company and its connected persons (other than that Best Approach, Ms. Loretta Lee, Mr. CT Lai and Mr. KM Lai are Offeror Concert Parties).

15. REASONS FOR AND BENEFITS OF, THE PROPOSAL

(i) The Proposal will create synergy and enhance competitive strengths of the Company

Grandblue Environment is a listed company in the PRC focused on the environmental service industry. Its business scope covers solid waste treatment, energy, water supply and drainage. Grandblue Environment is one of the top 10 waste incineration power generation enterprises in terms of grid-connection installed capacity, waste disposal capacity and power generation capacity in the PRC and one of the top 10 influential enterprises in solid waste treatment in the PRC.

The Group is a leading provider of integrated urban environmental protection and sanitation solutions, principally engaged in the operation and management of waste-to-energy (“WTE”) plants, provision of environmental hygiene and related services and integrated smart city management services. As at 31 December 2024, the Group had secured 35 WTE projects with a total daily municipal solid waste processing capacity of approximately 52,540 tonnes and the operating daily municipal solid waste processing capacity reached approximately 42,490 tonnes.

As the Company and Grandblue Environment are engaging in the environmental protection related business with a high degree of synergy in business area, business model, operation management and control capabilities, the Offeror believes that the Proposal will be able to create synergy and enhance competitive strengths and facilitate the Offeror to become a leading enterprise in solid waste treatment and WTE business through horizontal industrial integration after the completion of the Proposal.

(ii) The Proposal will allow the Company more flexibility in implementing its long-term growth strategy

Implementation of the Proposal will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits, free from regulatory constraints from the perspective of managing a publicly listed company, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company.

(iii) An opportunity for Scheme Shareholders to realise their investment at a premium

During the six-month period immediately up to and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$3.81 and HK\$4.50, respectively, with a simple average closing price of approximately HK\$4.08. The Offeror believe that the Cancellation Price of HK\$4.90 per Share represents a premium to the prices at which the market had valued the Company and the consolidated net asset value attributable to Shareholders per Share as of 31 December 2023, and therefore, the Proposal provides the Scheme Shareholders an attractive exit premium and opportunity to realise their investment in return for cash, and redeploy into other investment opportunities that they may be considered more attractive.

The Proposal is intended to provide the Scheme Shareholders with an attractive opportunity to realise their investments in the Company for cash at a premium. The Cancellation Price represents a premium of approximately (i) 20.69% over the closing price of the Shares on the last trading day prior to the publication of the Rule 3.7 Announcement; (ii) 16.95% over the average closing price of the Shares for the 10 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement; (iii) 20.85% over the average closing price of the Shares for the 30 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement; (iv) 21.77% over the average closing price of the Shares for the 60 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement; (v) 21.78% over the average closing price of the Shares for the 90 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement; (vi) 21.27% over the average closing price of the Shares for the 120 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement; (vii) 23.50% over the average closing price of the Shares for the 180 trading days up to and including the last trading day prior to the publication of the Rule 3.7 Announcement; (viii) 11.62% over the closing price of the Shares on the Last Trading Day; (ix) 13.03% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (x) 16.90% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (xi) 19.77% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (xii) 21.00% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (xiii) 19.96% over the average closing price of the Shares for the 120 trading days up to and including the Last Trading Day; (xiv) 23.08% over the average closing price of the Shares for the 180 trading days up to and including the Last Trading Day; (xv) 3.16% over the closing price of HK\$4.75 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (xvi) 21.49% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$4.0332 as at 31 December 2024, based on the audited consolidated net assets of the Group as stated in annual report of the Company for the financial year ended 31 December 2024 and 2,441,541,169 Shares in issue as at the Latest Practicable Date; and (xvii) 21.59% over the unaudited adjusted consolidated net asset value attributable to Shareholders per Share of approximately HK\$4.03 as at 31 December 2024, based on

the unaudited adjusted consolidated net assets of the Group as at 31 December 2024 taking into account of the market value of the assets and properties of the Group as at 28 February 2025 as set out in the Valuation Reports in respect of the Land Disposal, the Smart Parking Disposal and the Office Building Disposal set out in Appendix II-A, Appendix II-B and Appendix II-C to this Scheme Document and 2,441,541,169 Shares in issue as at the Latest Practicable Date.

16. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

It is the intention of the Offeror that the Group will continue to carry on its current business. The Offeror does not have plans to make any major changes to the current business or operations of the Group (including any redeployment of fixed assets of the Group). The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group, except for staff movements which are part of normal conduct of business. The Offeror will continue to monitor all business opportunities in relation to the Group as they arise from time to time.

17. FINANCIAL ADVISER, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed CITIC Securities as its exclusive financial adviser in connection with the Proposal.

The Company has appointed ABCI Capital as its exclusive financial adviser in connection with the Proposal.

An Independent Board Committee, which comprises Mr. Feng Jun, being the non-executive Director who does not have any relationship with the Offeror or Best Approach, and Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, being the independent non-executive Directors, has been established by the Board to make a recommendation (i) to the Independent Shareholders as to whether the terms of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and to the EB Amendments Independent Shareholders as to whether the terms of the EB Amendments, are, or are not, fair and reasonable and as to how to vote at the EGM and the Court Meeting; and (ii) to the Optionholder as to whether the terms of the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the EB Amendments. The Independent Board Committee has reserved its opinion pending the advice of the independent financial adviser.

The Board, with the approval of the Independent Board Committee, has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the Option Offer and the EB Amendments.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the EB Amendments are fair and reasonable, and the terms of the Option Offer are fair and reasonable, and accordingly, it advises the Independent Board Committee to recommend (i) the Independent Shareholders to vote in favour of (a) the resolutions necessary to implement the Proposal, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal and the Office Building Disposal at the EGM, (b) the Scheme at the Court Meeting, (ii) the EB Amendments Independent Shareholders to vote in favour of the resolutions necessary to implement the EB Amendments, and (iii) the Optionholder to accept the Option Offer.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal, and the Scheme are fair and reasonable, and the terms of the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer are fair and reasonable. Accordingly, the Independent Board Committee recommends (i) the Independent Shareholders to vote in favour of (a) the resolutions necessary to implement the Proposal, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, and the Office Building Disposal at the EGM and (b) the Scheme at the Court Meeting, (ii) the EB Amendments Independent Shareholders to vote in favour of, the EB Amendments at the EGM and (iii) the Optionholder to accept the Option Offer.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer is set out in Part V of this Scheme Document.

18. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders and the Optionholders can be found in Part II of this Scheme Document headed “Actions to be Taken”.

19. REQUIREMENTS UNDER COMPANIES ACT AND THE TAKEOVERS CODE**The Companies Act**

Pursuant to Section 86(1) of the Companies Act, where a compromise or an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

Section 86(2A) of the Companies Act states that if not less than 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting or meetings, as the case may be, held as directed by the Grand Court as aforesaid, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

Additional Requirements as Imposed by Rule 2.10 of the Takeovers Code

In addition to satisfying any requirements imposed by law as summarised above, Rule 2.10 of the Takeovers Code requires, except with the consent of the Executive, that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the disinterested Shares that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all disinterested Shares.

Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee will abstain from voting (i) on the special deals in relation to the Rollover Arrangement, the Land Disposal, Smart Parking Disposal, Office Building Disposal and EB Amendments at the EGM; and (ii) on the Scheme at the Court Meeting, and True Victor will abstain from voting on the EB Amendments at the EGM. Each of Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee have provided an undertaking to the Grand Court (i) not to vote at the Court Meeting and will procure that any Shares in respect of which it/he/she is legally or beneficially interested will not be represented or voted at the Court Meeting and (ii) to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it/him/her for the purpose of giving effect to the Scheme.

As at the Latest Practicable Date, the Independent Shareholders legally or beneficially own, control or have direction over a total of 1,094,299,332 Shares and 10% of the votes attached to all Scheme Shares held by the Independent Shareholders was approximately 109,429,934 Shares.

20. EGM AND COURT MEETING

As at the Latest Practicable Date, the Offeror does not own any Shares and the Offeror Concert Parties hold 1,347,241,837 Shares, representing approximately 55.18% of the issued share capital of the Company. 1,159,227,217 Shares held by Best Approach will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, while 176,388,620 Shares held by Best Approach (being the Rollover Shares subject to the Rollover Arrangement) will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. All of the Offeror Concert Parties will abstain from voting at the Court Meeting. Each of Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee have provided undertakings to the Grand Court (i) not to vote at the Court Meeting and will procure that any Shares in respect of which it/he/she is legally or beneficially interested will not be represented or voted at the Court Meeting and (ii) to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it/him/her for the purpose of giving effect to the Scheme.

As such, as at the Latest Practicable Date, save for Best Approach, Ms. Loretta Lee, Mr. CT Lai and Mr. KM Lai (who have provided undertakings to the Grand Court not to vote on the Scheme at the Court Meeting and to be bound by the terms of the Scheme), all Scheme Shareholders are Independent Shareholders. All Scheme Shareholders as of the Meeting Record Date, save for Best Approach, Ms. Loretta Lee, Mr. CT Lai and Mr. KM Lai (who have provided undertakings to the Grand Court not to vote on the Scheme at the Court Meeting and to be bound by the terms of the Scheme), will be entitled to attend and vote on the Scheme at the Court Meeting. All Shareholders as of the Meeting Record Date will be entitled to attend the EGM and vote on (i) the special resolution to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit arising in the Company's books of accounts as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares for issuance to the Offeror. Only the Independent Shareholders as of the Meeting Record Date may vote on the ordinary resolutions in connection with the special deal in relation to the Rollover Arrangement, the Smart Parking Disposal, the Office Building Disposal and the Land Disposal in accordance with the Takeovers Code. Only the EB Amendments Independent Shareholders as of the Meeting Record Date may vote on the ordinary resolution in connection with the special deal in relation to the EB Amendments in accordance with the Takeovers Code.

Pursuant to the rules of the Share Award Scheme, the Share Award Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust. Accordingly, all of the Trustee Held Pool Shares will not be voted at the EGM and the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

The Company has confirmed that the vote counting of all the resolutions to be proposed at the EGM will not take place until the conclusion of the Court Meeting; and the poll results of all the resolutions to be proposed at the EGM will not be announced/notified to any Shareholder until the publication of the poll results announcement of the Company in relation to the EGM and the Court Meeting on the website of the Stock Exchange in accordance with the requirements under the Takeovers Code and the Listing Rules.

The Offeror and Offeror Concert Parties have undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme.

Notice of the EGM is set out in Appendix V of this Scheme Document. The EGM will be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong on Monday, 12 May 2025 at 2:30 p.m.

Notice of the Court Meeting is set out in Appendix VI of this Scheme Document. The Court Meeting will be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong on Monday, 12 May 2025 at 3:00 p.m. (or if later, as soon as practicable after the conclusion or adjournment of the EGM).

The Court Hearing is listed to be heard on Tuesday, 20 May 2025 at 9:30 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who subsequently voted at the Court Meeting shall have the right to attend, or appear by counsel, and be heard at such Court Hearing, at which the Company will seek the sanction of the Scheme.

Closure of the Register of Members of the Company

For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Wednesday, 7 May 2025 to Monday, 12 May 2025 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the EGM and/or the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 6 May 2025. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he/she wishes to attend or vote at the EGM or the Court Meeting.

Binding Effect of the Scheme

When all of the Conditions set out in the section headed "4. Conditions of the Proposal and the Scheme" of this Explanatory Memorandum are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders regardless of how (or whether) they voted at the EGM or Court Meeting.

21. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect immediately after the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective.

22. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions (6) to (13) has not been fulfilled or waived by the Offeror or any of the Conditions (1) to (5) has not been fulfilled, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

23. REGISTRATION AND PAYMENT**Latest time for lodging transfers of Shares**

In order to qualify for entitlements under the Scheme, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration before 4:30 p.m. on Tuesday, 20 May 2025.

Payment of the Cancellation Price to Scheme Shareholders

As disclosed in the section headed "3. Terms of the Proposal — The Scheme" of this Explanatory Memorandum, Mr. KM Lai and Ms. Loretta Lee have agreed to guarantee the due performance of the obligations and undertakings of Best Approach under the Irrevocable Undertaking jointly and severally. As security for the fulfilment of obligations and undertakings of Best Approach under the Irrevocable Undertaking regarding matters including defects, contingent losses and accounts receivables, the Best Approach Cancellation Price payable to Best Approach will be paid by the

Offeror to Best Approach by various instalments. The Deferred Cancellation Price (representing approximately 16.96% of the Best Approach Cancellation Price) will be retained by the Offeror and the Deferred Cancellation Price will only be paid to Best Approach by installments after the relevant obligations, undertakings and warranties under the Irrevocable Undertaking have been satisfied in full or after the payment of the Deferred Cancellation Price is otherwise agreed by the Offeror, Best Approach, Mr. KM Lai and Ms. Loretta Lee in writing, whichever is earlier. The remaining Best Approach Cancellation Price (other than the Deferred Cancellation Price) will be paid to Best Approach directly within seven business days after the Proposal becomes effective.

Subject to the Scheme becoming effective, the Cancellation Price (other than the Deferred Cancellation Price) will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date as soon as possible but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date. On the basis that the Scheme becomes effective on Friday, 30 May 2025 (Cayman Islands time), the cheques for the payment of the Cancellation Price (other than the Deferred Cancellation Price) are expected to be despatched on or before Tuesday, 10 June 2025.

Cheques for the payment of the Cancellation Price (other than the Deferred Cancellation Price) will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses on the register of members of the Company or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, CITIC Securities, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold all monies in respect of uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is

satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and any expenses incurred.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Upon the Scheme becoming effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all of the Scheme Shares and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 30 May 2025 (Cayman Islands time).

Payment of the Option Offer Price to Optionholder

The holder of the Share Option(s) as at the Record Date who accepts the Option Offer and lodges a duly completed Form of Acceptance by the prescribed deadline will be entitled to receive the Option Offer Price as set out in the Option Offer Letter that is sent to the Optionholder. Under the Option Offer, the Offeror is offering the Optionholder the Option Offer Price which represents the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each Share Option.

The cheque(s) for payments in respect of the Option Offer Price under the Option Offer will be despatched to the Optionholder no later than seven business days (as defined in the Takeovers Code) after the Effective Date. Please refer to the expected timetable as set out in Part III of this Scheme Document for details.

All payments in respect of the Option Offer Price will be made in Hong Kong dollars. Settlement of the Option Offer Price to which any Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Optionholder.

24. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws and regulations of the relevant jurisdictions in which such Scheme Shareholders are located. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders, wishing to take an action in relation to the Proposal, to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction. Any acceptance by such overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, there is no Shareholder whose address as shown in the register of members of the Company was outside Hong Kong.

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Offeror, the Company and CITIC Securities or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

25. TAXATION ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders and Optionholder are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal or the Option Offer. It is emphasised that none of the Offeror, persons acting in concert with the Offeror, the Company, CITIC Securities or their respective directors, employees, officers, agents, advisers, associates and affiliates and or any other person involved in the Proposal or the Option Offer accepts responsibility for any taxation effects on, or liabilities of, any other persons as a result of their acceptance or rejection of the Proposal or the Option Offer.

26. COSTS OF THE SCHEME

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments or the Option Offer, and the Scheme is not approved, all costs and expenses incurred by the Company in

connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable.

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Proposal will be shared between the Offeror and the Company equally.

27. RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer as set out in the letter from the Independent Board Committee in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer as set out in the letter from the Independent Financial Adviser in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer.

28. ADDITIONAL INFORMATION

Additional information in relation to the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer is set out in the appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document and the accompanying forms of proxy and (if applicable), the Form of Acceptance and the Option Offer Letter. None of the Company, the Offeror, CITIC Securities, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

29. LANGUAGE

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2022, 2023 and 2024 are extracted from the annual reports of the Company for the respective years.

The auditor's reports issued by the auditor of the Company, PricewaterhouseCoopers, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2022, 2023 and 2024, did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

		(Audited) 31 December	
	2022 HK'000 (Unrestated) ⁽²⁾	2023 HK'000 (Restated) ⁽¹⁾	2024 HK'000
Continuing operations			
Revenue	8,246,645	4,960,197	4,198,331
Cost of sales	(5,717,624)	(2,883,354)	(2,172,533)
Gross profit	2,529,021	2,076,843	2,025,798
General and administrative expenses	(580,010)	(632,476)	(654,264)
Other income	215,875	220,842	276,103
Other gains/(losses)	(108,163)	2,619	(44,973)
Operating profit	2,056,723	1,667,828	1,602,664
Interest income	14,500	18,081	19,018
Interest expense	(614,284)	(675,900)	(674,250)
Interest expense, net	(599,784)	(657,819)	(655,232)
Share of net profits of associates and joint ventures	189,934	153,889	158,236
Profit before income tax	1,646,873	1,163,898	1,105,668
Income tax expense	(287,410)	(120,562)	(167,331)
Discontinued operation			
Loss from discontinued operation	—	(22,809)	(58,338)
Profit for the year	1,359,463	1,020,527	879,999
Attributable to:			
Equity holders of the Company			
Continuing operation	1,332,805	1,022,459	923,593
Discontinued operation	—	(21,195)	(57,455)
Non-controlling interests			
Continuing operations	26,658	20,877	14,744
Discontinued operation	—	(1,614)	(883)
Profit for the year	1,359,463	1,020,527	879,999
Earnings per share			
— basic and diluted (expressed in HK cents per share)			
Continuing operations	54.9	42.1	38.0
Discontinued operation	—	(0.9)	(2.3)
Profit for the year	1,359,463	1,020,527	879,999
Other comprehensive loss, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences of continuing operations	(977,155)	(167,124)	(234,892)
Currency translation differences of discontinued operation	—	(6,815)	(6,290)
Release of Exchange differences upon disposal of a subsidiary and associates	—	—	(15,617)
Release of Exchange differences upon disposal of assets classified as held-for-sale	—	(2,426)	—
Other comprehensive loss for the year, net of tax	(977,155)	(176,365)	(256,799)
Total comprehensive income for the year	382,308	844,162	623,200
Attributable to:			
Equity holders of the Company			
Continuing operations	402,246	858,727	682,551
Discontinued operation	—	(28,320)	(64,086)
Non-controlling interests			
Continuing operations	(19,938)	15,059	5,277
Discontinued operation	—	(1,304)	(542)
Total comprehensive income for the year	382,308	844,162	623,200
Dividends			
— interim dividend	151,252	119,538	Nil
— final dividend	114,658	78,065	Nil
Total	265,910	197,063	Nil
Dividend per Share (expressed in HK cents per Share)			
— interim dividend	6.2	4.9	Nil
— final dividend	4.7	3.2	Nil
Total	10.9	8.1	Nil

- (1) On 22 July 2024, the Group entered into the sale and purchase agreement with Best Approach, pursuant to which, the Group conditionally agreed to dispose of the entire equity interests in Canvest Technology to Best Approach. Canvest Technology represents the whole smart car parking business and a separate line of business of the Group to be disposed of. Thus, it is regarded as “discontinued operation” and its net results for the year ended 31 December 2024 and the comparatives are presented separately from that of the continuing operations.
- (2) The financial information has not been restated as the Directors consider that the unrevised financial information is more appropriate to reflect year-on-year comparison of the change in the Group’s business operation.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the last published audited accounts, together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Company for the year ended 31 December 2022 (the “**2022 Financial Statements**”) are set out on pages 77 to 165 of the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), which was published on 24 April 2023. The 2022 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042401109.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2023 (the “**2023 Financial Statements**”) are set out on pages 77 to 165 of the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), which was published on 29 April 2024. The 2023 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2023 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901081.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2024 (the “**2024 Financial Statements**”) are set out on pages 79 to 173 in the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”), which was published on 10 April 2025. The 2024 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2024 Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0410/2025041000333.pdf>

The 2022 Financial Statements, the 2023 Financial Statements and the 2024 Financial Statements (but not any other part of the 2022 Annual Report, the 2023 Annual Report and the 2024 Annual Report, in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS

As at 28 February 2025, being the latest practicable date of this indebtedness statement prior to the publication of this Scheme document, the Group had total indebtedness as summarised below:

	Interest rates	As at 28 February 2025 HK\$'000
Bank loans		
— Secured	2.60%–7.37%	12,266,210
— Unsecured	3.69%–7.95%	<u>1,284,911</u>
Total bank loans		<u>13,551,121</u>
Total Indebtedness		<u><u>13,551,121</u></u>

As at 28 February 2025, being the latest practicable date of this indebtedness statement prior to the publication of this Scheme Document, the Group has bank and other loans amounting to approximately HK\$13,551,121,000, of which:

- (a) approximately HK\$11,067,320,000 of these loans were secured by certain assets of the Group and guaranteed by the Company and certain subsidiaries of the Group;
- (b) approximately HK\$36,403,000 of these loans were secured by 100% equity interest of a subsidiary and guaranteed by the Company;
- (c) approximately HK\$1,162,486,000 of these loans were secured by certain assets of the Group;
- (d) approximately HK\$804,286,000 of these loans were guaranteed by subsidiaries of the Group;
- (e) approximately HK\$480,626,000 were neither secured nor guaranteed;

As at 28 February 2025, bank borrowings are secured by right-of-use assets, property, plant and equipment, intangible assets, restricted deposit and assets held for sale with carrying amounts of approximately HK\$100.3 million, HK\$166.0 million, HK\$12,506.4 million, HK\$99.8 million, and HK\$161.2 million, respectively.

As at 28 February 2025, being the latest practicable date of this indebtedness statement prior to the publication of this Scheme document, the Group had contingent liabilities as summarised below:

- a. On 14 June 2024, Jianyang Canvest Environmental Power Company Limited (“**Jianyang Canvest**”) (a joint venture with 50% equity held by the Group) entered into a bank loan agreement with Jianyang sub-branch of Bank of China Limited for banking facility of not exceeding RMB671,000,000, and the Group provided a corporate guarantee of RMB335,500,000 for such facility. Outstanding balance of such loan amounted to RMB622,741,000 (equivalent to HK\$674,989,000) as 28 February 2025. In February 2025, the Group entered into a supplemental agreement with bank, pursuant to which the Group’s corporate guarantee will be limited to 50% of the debt liability balances;
- b. The Group holds 49% equity interest in Dongguan Xindongyuan Environmental Investment Company Limited (“**Dongguan Xindongyuan**”) (accounted for as an associate in the consolidated balance sheet of the Group), which holds 30% equity interest in Dongguan Xindongqing Environmental Investment Company Limited (“**Dongguan Xindongqing**”). As at 28 February 2025, the Group provided a guarantee of RMB34,924,000 (equivalent to HK\$37,854,000) for bank loans of Dongguan Xindongqing;
- c. The Group holds 40% equity interest in Huizhou City Zhongzhou Environmental Resources Company Limited (“**Zhongzhou Environmental**”), and accounted for as an associate in the consolidated balance sheet of the Group. As at 31 December 2024, the Group, together with other shareholders of Zhongzhou Environmental, provided a joint and several guarantee in the aggregate amount of not exceeding of RMB69,900,000 (equivalent to HK\$75,688,000) for bank loan of Zhongzhou Environmental. Outstanding balance of such loan amounted to RMB37,134,000 (equivalent to HK\$40,250,000) as at 28 February 2025. In February 2025, the Group entered into a supplemental agreement with bank, pursuant to which the Group’s corporate guarantee will be limited to 40% of the debt liability balances; and
- d. The Group holds 30% equity interest in Sichuan SIIC Ecological Environmental Co., Ltd (“**Sichuan SIIC**”), and accounted for as an associate in the consolidated balance sheet of the Group before the completion of disposal of entire 30% equity interest by the Group in December 2024. As at 28 February 2025, the Group provided a corporate guarantee of RMB65,034,000 (equivalent to HK\$64,794,000) for bank loan of Sichuan SIIC, and the bank loan of Sichuan SIIC has been subsequently fully repaid in April 2025.

Save as disclosed above, the Group had no other material contingent liabilities or outstanding mortgages, charges, loan capital issued and outstanding or agreed to be issued, bank loans and overdrafts or other similar indebtedness as at the close of business on 28 February 2025.

4. MATERIAL CHANGE

The Directors have confirmed that, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date.

5. ADJUSTED NET ASSET VALUE

Set out below is the unaudited adjusted consolidated net asset value of: (i) the Group; and (ii) attributable to Shareholders, as at 31 December 2024 taking into account of the market value of the assets and properties of the Group as at 28 February 2025 as set out in the Valuation Reports in respect of the Land Disposal, the Office Building Disposal and the Smart Parking Disposal set out in Appendix II-A, Appendix II-C and Appendix II-D to this Scheme Document:

	The Group <i>Approximate</i> <i>(HK'000)</i>	Attributable to Shareholders <i>Approximate</i> <i>(HK'000)</i>
Audited consolidated net asset value as at 31 December 2024 as disclosed in the 2024 Annual Report	10,201,919	9,847,209
Less: Carrying value of the land use rights and structures on the Land as at 31 December 2024	(145,780)	(145,780)
Add: Market value of land use rights and structures on the Land as at 28 February 2025	146,461	146,461
Less: Carrying value of the Smart Parking as at 31 December 2024	(23,376)	(27,038)
Add: market value of the Smart Parking as at 28 February 2025	25,797	22,414
Less: Carrying value of the KK VII (BVI) Limited and KK VIII (BVI) Limited as at 31 December 2024	(160,932)	(160,932)
Add: Market value of KK VII (BVI) Limited and KK VIII (BVI) Limited as at 28 February 2025	157,000	157,000
Unaudited adjusted consolidated net asset value	10,201,269	9,839,514
Unaudited adjusted consolidated net asset value per share (HK\$)	4.18	4.03

* As some of the Smart Parking projects are not wholly-owned by the Group, the adjustment to the net asset value reflect the final amount attributable to Shareholders upon deductions to the minority shareholders of those projects

APPENDIX II-A — PROPERTY VALUATION REPORT — LAND DISPOSAL

The following is an English translation of the text of a letter, summaries of valuation and valuation certificates prepared for the purpose of incorporation in this Scheme Document, received from Shanghai Kedong Real Estate Appraisal Co., Ltd. (“Shanghai Kedong”), an independent professional valuer, in connection with its valuation as at 28 February 2025 of the property interests in relation to the Land Disposal held by the Group. The Chinese version shall prevail in case of inconsistencies.



021-50317037

Shanghai Kedong Real Estate Appraisal Co., Ltd
A-D, 26/F,
No. 379 Pudong South Road (Jin Sui Mansion),
Pudong New District, Shanghai

17 April 2025

The Directors
Canvest Environmental Protection Group Company Limited
28th Floor,
No. 9 Des Voeux Road West,
Sheung Wan,
Hong Kong

Dear Sirs,

**VALUATION OF THE PROPERTY LOCATED IN BAOSHAN DISTRICT,
SHANGHAI, THE PEOPLE’S REPUBLIC OF CHINA (THE “PROPERTY”)**

INSTRUCTIONS

In accordance with the instructions for us to value the Property in which the Canvest Kewei Environmental Investment (Guangdong) Company Limited, a subsidiary of the Company, has interests in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the market value of the Property in its existing states, as at 28 February 2025 (the “**Valuation Date**”).

BASIS OF VALUATION

Our valuation has been made on the basis of market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is defined as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

The valuation has been carried out in accordance with the Urban Real Estate Administration Law of the PRC, the Code for Real Estate Appraisal (GB/T50291–2015) and relevant laws, regulations and technical standards, following the principles of independence, objectivity, impartiality, and legality, and in accordance with rigorous valuation procedures for professional analysis, measurement, and judgment.

VALUATION METHODOLOGY

We have adopted the cost approach to assess the market value of the Property. Cost approach is an approach measuring the replacement cost or reconstruction cost and depreciation of the valuation object at the time of valuation, and subtracting depreciation from the replacement cost or reconstruction cost. There are only a few comparables in the same district as the Land that also include a building under construction. Due to these factors, we are of the view that using the comparative approach, income approach, or hypothetical development approach would be inappropriate for the valuation. Instead, we have determined that the cost approach is the most suitable method, taking into consideration the availability of information regarding land acquisition costs and early development expenses in the district, as well as the transparency of construction costs. Therefore, the cost approach provides a more accurate valuation of the Land and the property.

The replacement cost of the relevant properties under valuation comprises the acquisition costs of the Land, the construction costs, the management fees, and the sales costs, investment interests, sales related tax and profits in respect of the Land and the relevant structures on the Land. Typically, the depreciation of buildings includes material depreciation, functional depreciation and economic depreciation. Firstly, the design functions of the buildings related to this valuation can meet the needs of normal use, and there is no adverse impact on the properties, so its functional depreciation is considered not appropriate in this valuation. Secondly, the real estate market situation of the domestic waste integrated treatment plant at the time of this valuation is stable; the market supply

and demand relationship is basically balanced; and the factors other than market environment, policies and other buildings have not adversely affected this kind of real estate, therefore the economic depreciation is not taken into account in this valuation. Due to aging, wear and damage caused by the use and natural forces of the buildings under this valuation, material depreciation shall be taken into account in the depreciation of the structures on the Land in this valuation. The material depreciation refers to the aging, wear and damage of buildings caused by use and natural forces.

Accordingly, the Land Valuation is derived as based on the following formula:

Land Valuation = Replacement costs of the Land + Replacement costs of the relevant structures on the Land – Depreciation

(i) Replacement costs of the Land

Acquisition costs of the Land

The acquisition costs of the Land were valued by weighted average of appraised value under the benchmark land price coefficient correction method and the cost approximation method.

Under the benchmark land price coefficient correction method, we referred to the benchmark land price established by the local government and adjusted the land price based on analysis of various factors affecting the land price.

Under the cost approximation method, we have obtained relevant information such as fee standards, land development costs, tax and interest in the applicable district to appraise the value of the Land.

The aforesaid valuation of acquisition costs of the Land took into account both the land price as indicated by the local government and the costs of land development, and is consistent with normal market practice.

Sales costs

We considered the costs associated with the sales of the Land such as advertising expenses, costs of sales personnel and agency fees. We estimated such fees based on certain applicable percentage to the land value.

Investment interests

The investment interests measures the cost of investment of the Land. We estimated based on the completed portion of the land project, the completion time and the standard loan interest rate of RMB.

Sales related tax

During the appraisal, we also considered applicable tax applicable to the sales of the Land. Such estimation was based on the PRC tax rule and regulations relevant to the development and sales of the Land.

Profits in respect of the Land

The profits represent the investment return of the project. It is estimated based on the profitability of comparable domestic waste comprehensive treatment plant properties.

Based on the above, the replacement costs of the Land are approximately RMB72.92 million.

(ii) Replacement costs of the relevant structures on the Land*Construction costs of the buildings*

In valuing the construction costs of the buildings, we took into account the structures and facilities of the buildings and appraised the construction costs based on the costs of comparable construction cases.

Management fees

Management fees include wages and welfare fees, office expenses, travel expenses and other related fees. During the valuation, we estimated the management fees based on an applicable percentage of the sum of construction and installation project costs and supporting overall project costs.

Sales costs, investment interests, sales related tax and profits in respect of the buildings

The sales costs, investment interests, sales related tax and profits in respect of the buildings were appraised by similar approach as the valuation of the replacement costs of the Land.

Based on the above, the replacement costs of the relevant structures on the Land are approximately RMB79.92 million.

(iii) Depreciation

In determining the depreciation, we considered a number of factors such as the design functions of the buildings, the real estate market situation, and the aging, wear and damage of buildings caused by use and natural forces based on the condition of the Land and the relevant structures on the Land. We then applied a newness rate (which was assessed after taking into account the aforesaid factors based on the structural part, decorative part and equipment part of the properties) to the replacement costs of the properties to arrive at the depreciation.

Based on the above, the depreciation amount is approximately RMB17.55 million.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information provided by the Company on such matters as tenure, floor areas, and building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and we consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable.

TITLE INVESTIGATIONS

We have been provided with copies of extracts of title documents relating to the Property.

We have made enquiries and relevant searches on the transfer of state-owned land use rights in Shanghai.

SITE MEASUREMENT

We have not carried out detailed site measurements to verify the correctness of the site/floor areas in respect of the Property but have assumed that the site/floor areas shown on the documents and official site/floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property on 14 March 2025.

We have not carried out investigations to determine the suitability of the ground conditions and the services for any future development of the Property we have inspected. Our valuations have been prepared on the assumption that these aspects are satisfactory. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller disposes of the Property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

No allowance has been made for any charges, mortgages or amounts owing on the Property or for any expenses or taxations which may be incurred in effecting a sale.

In valuing the property interests held, we have made the following assumptions:

- We have assumed that all information, estimates and opinions furnished to us and contained in this report including all information provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources.
- We have assumed that the Property is free from any contamination and environmental problems or hazards.

POTENTIAL TAX LIABILITIES

With reference to the Group's recommendations, potential tax liabilities that may arise from the Property in the PRC include:

- i. Value-added tax calculated at 9% based on the transaction amount (plus surcharge);
- ii. Corporate income tax on the profit from the sale of property at rate of 25%;
- iii. Stamp duty calculated at 0.05% based on the transaction amount;
- iv. Deed tax calculated at 3% to 5% based on the transaction amount; and
- v. Land appreciation tax calculated based on the appreciated land value at progressive rates as follows:

Appreciated land value	Progressive tax rates
Not more than 50%	30%
More than 50% but not more than 100%	40%
More than 100% but not more than 200%	50%
More than 200%	60%

After discussions with the management of the Company, we understand that the Company will transfer the property interests in the PRC through the disposal of equity interests in Canvest Kewei's subsidiary and the purchaser will bear relevant tax liabilities. Assuming that there are no changes in relevant tax laws and regulations in the PRC, the likelihood of any potential tax liabilities of these property interests being crystalized is remote.

THE VALUER

This valuation has been prepared by Li Jiatuan and Ding Shuying, the PRC Registered Real Estate Appraisers, who have sufficient experience to carry out valuations of this size and nature.

Neither the valuers nor Shanghai Kedong Real Estate Appraisal Co., Ltd. are aware of any pecuniary interest or other conflict of interest that could affect their ability to give an unbiased and objective opinion of the value of the Property.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB) for the property.

Our valuations of the Property set out in the valuation particulars attached hereto, together with this covering letter, form our valuation report.

Yours faithfully,
For and on behalf of
Shanghai Kedong Real Estate Appraisal Co., Ltd.
Wang Wei
Legal representative

Note: Mr. Wang Wei is the Vice President of Shanghai Real Estate Appraisers Association and the Deputy Director of the Industry Development Committee of Shanghai Real Estate Appraisers Association. Mr. Wang Wei possesses the qualifications of PRC Registered Real Estate Appraiser, PRC Land Appraiser and has over 10 years of experience in real estate appraisal.

VALUATION PARTICULARS

Property held by the Group in Shanghai:

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2025
A domestic waste comprehensive treatment plant under construction at 1/5 of Land in the 3rd Neighbourhood of Yuepu Town in Baoshan District, Shanghai	<p>The construction works of the commercial building (office building), garbage sorting workshop (main workshop) and conveyor room have been completed; the main structure of the chemical water workshop (gasification workshop), the circulating pump room (gasification workshop), consolidation pump room, and conveyor room has been topped off; the main structure of the combustible utilization workshop (gasification workshop) is completed; the main frame of the dormitory building (complex) is completed; most of the auxiliary rooms of the sewage treatment station and washing water pump room have been demolished; the weighbridge and the guards have been rebuilt after being demolished and the foundation construction has been completed, which is currently on the first floor; single weighbridge has been installed; organic material utilization workshop, residue utilization workshop, plastic workshop, unloading hall, substation, biogas generation workshop are not constructed.</p> <p>The entire area of land use right is 71,180.8 square meters.</p>	The property has a construction land use right, the nature of land right is transfer, the land use is public infrastructure land, and the use period is from 24 October 2008 to 23 October 2058.	RMB135,290,000

APPENDIX II-B — VALUATION REPORT — SMART PARKING DISPOSAL

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from Masterpiece Valuation Advisory Limited, an independent valuer, in connection with its opinion of value of the equity interest in relation to the Smart Parking Disposal as at 28 February 2025.



17 April 2025

The Board of Directors
Canvest Environmental Protection Group Company Limited
28th Floor,
No. 9 Des Voeux Road West,
Sheung Wan,
Hong Kong

Dear Sirs/Madams,

**VALUATION OF EQUITY INTEREST OF
CANVEST TECHNOLOGY COMPANY LIMITED**

INSTRUCTIONS

In accordance with the instructions of Canvest Environmental Protection Group Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to carry out the valuation of the equity interest of Canvest SciWin Intelligent Investment (Guangdong) Company Limited (the “**Target Company**”), which is a wholly-owned operating subsidiary of Canvest Technology Company Limited and is principally engaged in smart car parking in the People’s Republic of China. We confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Fair Value of the equity interest as at 28 February 2025 (the “**Valuation Date**”).

VALUATION STANDARDS

In valuing the equity interests, we have complied with all the requirements set out in the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the International Valuation Standards published and revised from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a Fair Value basis, which is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

COMPANY BACKGROUND

The Target Company is principally engaged in smart car parking in the People’s Republic of China (the “PRC”).

We understand that the Company intends to dispose equity interest of the Target Company. As such, the Company would like to assess the fair value of the 100% equity interest of the Target Company as of the Valuation Date.

INDUSTRY OVERVIEW

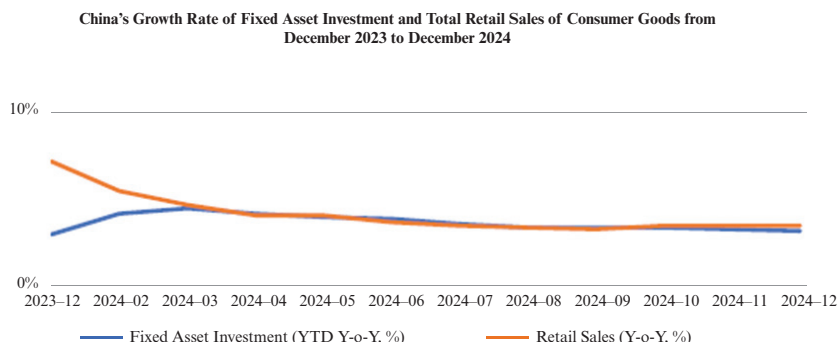
PRC Economy

In 2024, the national economy maintained overall stability with steady progress, and new achievements were made in high-quality development.

According to preliminary accounting, in 2024, China’s GDP grew by 5.0% year-on-year, reaching 13,490.84 billion yuan. The three major industries all recorded year-on-year growth, with the tertiary industry contributing the most. Specifically, the value-added of the service sector increased by 5.0% year-on-year.

In 2024, China’s national fixed asset investment (excluding rural households) reached 51,437.4 billion yuan, with a year-on-year increase of 3.2%. Excluding real estate development investment, national fixed asset investment grew by 7.2%. By sector, infrastructure investment increased by 4.4%, manufacturing investment increased by 9.2%, and real estate development investment decreased by 10.6%. The sales area of newly built commercial housing reached 973.85 million square meters, down 12.9% year-on-year; the sales value of newly built commercial housing was 9,675 billion yuan, down 17.1% year-on-year. By industry, investment in the primary industry increased by 2.6%, investment in the secondary industry increased by 12.0%, and investment in the tertiary industry decreased by 1.1%. In 2024, the national consumer price index (CPI) rose by 0.2% year-on-year. By category, food, tobacco, and alcohol prices decreased by 0.1%, clothing prices increased by 1.4%, housing prices increased by 0.1%, prices of household goods and services increased by 0.5%, transportation and communication prices decreased by 1.9%, prices of education, culture, and entertainment increased by 1.5%, medical care prices increased by 1.3%, and prices of other goods and services increased by 3.8%. Among food, tobacco, and alcohol prices, fresh fruit prices decreased by 3.5%, grain prices decreased by 0.1%, fresh vegetable prices increased by 5.0%, and pork prices increased by 7.7%. The core CPI, excluding food and energy prices, increased by 0.5% year-on-year. In December, the national consumer price index increased by 0.1% year-on-year and remained flat month-on-month.

Overall, the national economy maintained overall stability and made steady progress in 2024, with high-quality development advancing effectively and China's modernization taking new and solid steps forward. However, it must also be acknowledged that the adverse impacts of changes in the external environment have deepened, domestic demand remains insufficient, and some enterprises face operational and production difficulties. As a result, the economic operation continues to confront a number of challenges and difficulties.



China is currently implementing a supportive monetary policy and creating a favorable monetary and financial environment for stable economic growth and high-quality development. At the beginning of 2024, lending costs in China showed a stable to declining trend. According to the People's Bank of China (PBOC) announcement, in December 2024, the loan prime rate (LPR) for the 1-year and 5-year plus maturities were 3.1% and 3.6%, respectively. By the end of December, the broad money (M2) balance reached 313.53 trillion yuan, with a year-on-year increase of 7.3%. The narrow money (M1) balance was 67.1 trillion yuan, a year-on-year decrease of 1.4%. The currency in circulation (M0) balance was 12.82 trillion yuan, with a year-on-year increase of 13%. The net cash injection for the year was 1.47 trillion yuan.

Preliminary statistics indicate that the aggregate financing to the real economy in 2024 totaled 32.26 trillion yuan, a decrease of 3.32 trillion yuan compared to the previous year. Among this, RMB loans to the real economy increased by 17.05 trillion yuan, a year-on-year decrease of 5.17 trillion yuan. Foreign currency loans to the real economy, converted into RMB, decreased by 391.6 billion yuan, with an additional year-on-year reduction of 171 billion yuan. Entrusted loans decreased by 57.7 billion yuan, with an additional year-on-year reduction of 77.6 billion yuan. Trust loans increased by 397.6 billion yuan, with an additional year-on-year increase of 240 billion yuan. Undiscounted bank acceptances decreased by 329.5 billion yuan, with an additional year-on-year reduction of 151.3 billion yuan. Net corporate bond financing reached 1.91 trillion yuan, an increase of 283.9 billion yuan year-on-year. Net government bond financing reached 11.3 trillion yuan, an increase of 1.69 trillion yuan year-on-year. Domestic equity financing of non-financial enterprises was 290 billion yuan, a decrease of 503.1 billion yuan year-on-year.

Source: National Bureau of Statistics of China, People's Bank of China

Smart Parking Industry

Automobile consumption is a significant part of retail consumption in China.

Parking issues are a critical component of urban transportation, affecting urban development and attracting widespread social attention. Currently, urban parking difficulties have become one of the main livelihood issues in cities. In recent years, the country has continuously introduced several guiding policies to support the development of the smart transportation industry.

The development of the smart parking industry in China has gone through three stages: manual parking management, semi-intelligent parking management, and intelligent parking management.

In 2023, the parking industry continued to maintain a rapid development trend. Smart parking construction is being carried out in various forms, such as filling gaps, expanding scale, and optimizing upgrades across different regions. At the same time, local management departments are continuously improving management levels, making positive contributions to achieving high-quality urban transportation development.

According to statistics from the China Parking Network Market Research Center, as of November 2024, intelligent parking management has covered 240 prefecture-level cities and 766 counties (cities) nationwide, with 4.14 million smart parking spaces. Examining the development trends over the past five years, the cumulative growth rates of intelligent construction projects were 70.9%, 74.2%, 44.8%, 40.7%, and 12.9%, respectively. Meanwhile, the cumulative growth rates of intelligent parking spaces were 45.9%, 57.6%, 30.3%, 32.8%, and 14.3%, respectively.



Source: 中國公安部，中國停車網，智慧城市網

VALUATION ASSUMPTIONS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Company and specific competitive environments affecting the industry;
- the business risks of the Target Company;
- the experience of the management team of the Target Company and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our valuation conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Our appraisal included discussions with the management of the Target Company in relation to the history and nature of the business; a study of its financial statements; a review of the information provided by the management in connection with the strategy of and the plan of action to be taken to implement the business plan. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arriving at our opinion of value, we have considered the following major factors:

- i. the nature and prospects of the business underlying the Target Company;
- ii. the assets held by the Target Company;
- iii. the specific economic and competitive elements affecting the Target Company, the industry and the market which it is operating;
- iv. the business risk of the Target Company; and
- v. the financial position of the Target Company as revealed from its financial statements.

In view of the general environment and the particular situation in which the Target Company is operating, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded value of the Target Company:

- i. there will be no major change in the existing political, legal and economic conditions in the regions in which the Target Company is operated;
- ii. there will be no major change in the current taxation law in those regions, that the rates of tax payable by the Target Company remain unchanged and that all applicable laws and regulations will be complied with by it;
- iii. the interest rates and exchange rates will not differ materially from those presently prevailing;
- iv. all operating facilities as set out in the fixed asset registry provided to us can perform efficiently according to the purposes for which they have been designed and built and are in a physical condition commensurate with its post installation/out-factory age; and
- v. save for those liabilities as reported in the financial statement of the Target Company, it is free and clear of any lien, charge, option, pre-emption rights, damages, compensation, trade payables, mortgage and charge.

VALUATION METHODOLOGY

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Company, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Company:

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow (“**DCF**”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach (asset-based approach) refers to the general term for various valuation techniques that determine the value of the valuation target on the basis of a reasonable evaluation of the value of the assets and liabilities of the enterprise. The valuation scope includes current assets, fixed assets, projects under construction, intangible assets, deferred income tax assets and current liabilities.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

In determining the appraised value of the Target Company, the asset-based approach is adopted to assess the value of identifiable assets and liabilities as listed in the unaudited consolidated balance sheet as of 28 February 2025. This included, among others, the value of plant and equipment, intangible assets, and other payables. The valuation was conducted using the replacement cost model.

Among the three generally accepted valuation approaches — income approach, cost approach, and market approach — the income approach was deemed inappropriate due to the Target Company's history of net losses and its plans for downsizing operations. Similarly, the market approach could not be reliably applied because comparable market multiples were not available for the same reasons.

Given the circumstances, the asset-based approach was considered the most suitable methodology to determine the fair value of the Target Company. This approach focuses on the fair value of identifiable assets and liabilities, irrespective of the enterprise's profitability. Since the Target Company was experiencing losses and downsizing, the asset-based approach was considered suitable.

Under the asset-based approach, the recorded assets held by the Target Company were examined and adjusted to their fair value. Assets such as bank balances, prepayments, inventories, and other receivables were assumed to reasonably represent their fair values as book values. Expected credit losses were considered for account receivables and other receivables. The plant and equipment, along with intangible assets, were valued based on the cost approach, which determines fair value by referencing replacement costs.

Plant and equipment and intangible assets involved assets used in the Target Company's normal business operations. The cost approach determines fair value by reference to replacement costs.

After considering all stated liabilities, an aggregate fair value of RMB23.8 million was derived for 100% equity interest of the Target Company.

Assets	Book value as at 28 February 2025 (RMB million)	Fair value as at 28 February 2025 (RMB million)
Plant and equipment, fixed assets and intangible assets (<i>Note 1</i>)	8.3	7.9
Account receivables and other receivables (<i>Note 2</i>)	15.0	13.0
Prepayments (<i>Note 3</i>)	5.2	5.2
Other assets (<i>Note 3</i>)	4.1	4.1
Bank balances and cash (<i>Note 3</i>)	4.2	4.2
Total assets	36.8	34.4
Liabilities (<i>Note 4</i>)		
Trade and other payables and accruals	(7.6)	(7.6)
Loan	(3.0)	(3.0)
Total liabilities	(10.6)	(10.6)
Net Assets/(Liabilities)	26.2	23.8
100% Equity Value	26.2	23.8

The aggregate appraised value of the entire issued share capital of the Target Company as at the Valuation Date is RMB23.8 million.

Notes:

1. Plant and equipment, fixed assets and intangible assets involved plant and equipment, software patents used by the Target Company for carrying out their normal course of business. They comprise plant and equipment (with a book value of RMB2.1 million); intangible assets (with a book value of RMB3.5 million) and long-term deferred expense (with a book value of RMB2.7 million) have been valued by replacement cost approach at a fair value with current replacement prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence. The fair value of the plant and equipment, intangible assets and fixed assets was RMB7.9 million.
2. For account receivables and other receivables, expected credit losses have been valued by probability of default method, which is commonly used in measuring the expected credit loss of receivables. After considering the expected credit losses, the net book value of account receivables and other receivables are RMB0.4 million and RMB12.6 million respectively.
3. For prepayments, bank balances and cash and other assets, as confirmed by the Management and analyzing their natures, we assume that the net book values of the above assets should reasonably represent their fair values as of the Valuation Date.
4. All items of liabilities are cited from the financial statement as of 28 February 2025. As confirmed by the management, all liabilities stated in the financial statement have fully reflected the indebtedness of the Target Company. Therefore, the entire amount of liabilities has been adopted in the valuation.

SOURCE OF INFORMATION

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Target Company provided by the management of the Company, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

POTENTIAL TAX LIABILITIES

As advised by the Company, the potential tax liabilities which may arise from the sale of the equity interests include value-added tax at 9%, stamp duty at 0.05% and corporate income tax at 25%.

Based on discussions with the management of the company, we understand that the buyer will assume responsibility for the relevant tax liabilities. In the event that the Group disposes of the equity interests, and assuming there are no changes to the applicable tax laws and regulations in the PRC, it is likely that these tax liabilities will not be crystallized upon the sale.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

CONCLUSION OF VALUE

Based on our analysis outlined in this report, it is our independent opinion that the fair value of the equity interest of the Target Company as at 28 February 2025 was RMB23,800,000 (RENMINBI TWENTY THREE MILLION AND EIGHT HUNDRED THOUSAND ONLY).

Yours faithfully,
For and on behalf of
Masterpiece Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS (GP), AAPI, MSc (RE), ICPA
Registered Professional Surveyor (GP)
Managing Director

Note: Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 20 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S. and Asia Pacific region.

APPENDIX II-C — PROPERTY VALUATION REPORT — OFFICE BUILDING DISPOSAL

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from Masterpiece Valuation Advisory Limited, an independent valuer, in connection with its opinion of value of the property interests in relation to the Office Building Disposal as at 28 February 2025.



17 April 2025

The Board of Directors
Canvest Environmental Protection Group Company Limited
28th Floor,
No. 9 Des Voeux Road West,
Sheung Wan,
Hong Kong

Dear Sirs/Madams,

**VALUATION OF 28TH FLOOR, 29TH FLOOR, FLAT ROOF ABOVE
29TH FLOOR, CARPARK SPACE NO. P12 ON 2ND FLOOR,
AND CARPARK SPACE NO. P22 ON 2ND FLOOR,
NO. 9 DES VOEUX ROAD WEST, HONG KONG**

INSTRUCTIONS

In accordance with the instructions of Canvest Environmental Protection Group Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to carry out the valuation of the property interests in relation to 28th floor, 29th floor, flat roof above 29th floor, carpark space No. P.12 on 2nd floor and carpark space No. P22 on 2nd floor, No. 9 Des Voeux Road West, Hong Kong (the “**Office Building Disposal**”) held by the Group. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at 28 February 2025 (the “**Valuation Date**”).

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Rule 11 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission, the HKIS

Valuation Standards (2024 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published and revised from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a Market Value basis, which is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

POTENTIAL TAX LIABILITIES

As advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include:

1. Ad valorem stamp duty (“**AVD**”) on consideration or value of the property (whichever is the higher) at tax rates as follows:

Amount or value of the consideration (whichever is the higher)	Rate
Up to \$4,000,000	\$100
\$4,000,000 to \$4,323,780	\$100 + 20% of excess over \$4,000,000
\$4,323,780 to \$4,500,000	1.50%
\$4,500,000 to \$4,935,480	\$67,500 + 10% of excess over \$4,500,000
\$4,935,480 to \$6,000,000	2.25%
\$6,000,000 to \$6,642,860	\$135,000 + 10% of excess over \$6,000,000
\$6,642,860 to \$9,000,000	3.00%
\$9,000,000 to \$10,080,000	\$270,000 + 10% of excess over \$9,000,000
\$10,080,000 to \$20,000,000	3.75%
\$20,000,000 to \$21,739,120	\$750,000 + 10% of excess over \$20,000,000
Above \$21,739,120	4.25%

The buyer, the seller, and any person who uses the instrument will be liable, or jointly and severally liable to pay AVD. In other words, the buyer, the seller and any person who uses the instrument will have the same extent of liability, under the law, to pay for any AVD payable on the chargeable instruments, irrespective of any agreement to the contrary made between them.

2. Profit tax on the profit from the sale of property at tax rates as follows:

Assessable profits	Rate
Assessable profits up to \$2,000,000	8.25%
Any part of assessable profits over \$2,000,000	16.50%

Based on discussions with the management of the company, we understand that the company monetizes the property interests by selling the subsidiaries that held the property interests and the buyer will assume responsibility for the relevant tax liabilities. In the event that the Group disposes of the property interests, and assuming there are no changes to the applicable tax laws and regulations in Hong Kong, it is likely that these tax liabilities will not be crystallized upon the sale of the property interests.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “**continued uses**”).

In valuing the property interests, we have valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable market evidence is available.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the property interests in Hong Kong. However, we have caused searches to be made for the property at the Land Registry in Hong Kong. However, we have not scrutinised the original documents to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the land search. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the Property. The site inspection was carried out on 26 July 2024 and 31 March 2025 by Greivis Sze (Director of Masterpiece Valuation Advisory Limited). However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents and plans available to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars (HK\$).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Masterpiece Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS (GP), AAPI, MSc (RE),
Registered Professional Surveyor (GP)
Managing Director

Note: Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 20 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S., and Asia Pacific region.

SUMMARY OF VALUES

Property interests held by the Group for self-occupation in Hong Kong

No.	Property Interest	Market value	Market value
		in existing state as at 28 February 2025 <i>HKD</i>	in existing state 100% interest attributable to the Group as at 28 February 2025 <i>HKD</i>
1.	28th Floor and Carpark Space No. P22 on 2nd Floor, No. 9 Des Voeux Road West, Hong Kong	76,500,000	76,500,000
2.	29th Floor, Flat Roof above 29th Floor and Carpark Space No. P12 on 2nd Floor, No. 9 Des Voeux Road West, Hong Kong	80,500,000	80,500,000
	Sub-total:	<u>157,000,000</u>	<u>157,000,000</u>

VALUATION CERTIFICATE

No.	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2025 HKD
1.	28th Floor and Carpark Space No. P22 on 2nd Floor, No. 9 Des Voeux Road West, Hong Kong	The property interest comprises an office unit on the 28th floor and a car parking space on the 2nd floor of No. 9 Des Voeux Road (the “development”), which is a 29-storey office building completed in 1995, as per Occupation Permit No. H37/95.	The Property was owner occupied as at the Valuation Date	76,500,000 (100% interest attributable to the Group: 76,500,000)
	An aggregate of 408/10,010 equal and undivided shares of and in Marine Lot No. 502, Marine Lot No. 503, Marine Lot No. 504, Section A and the Remaining Portion of Marine Lot No. 505, Marine Lot No. 506, Inland Lot No. 3183 and Inland Lot No. 3184.	The development is located on the northwestern side of Des Voeux Road West, near its junction with Queen Street in Sheung Wan, Hong Kong.		
		The gross floor area and saleable area of the property interests, excluding the car parking space on the 2nd floor, are approximately 7,192 ft ² (668.15 m ²) and 5,025 ft ² (466.83 m ²), respectively.		
		The development is zoned as “Commercial” under the approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34, which was gazetted on 13 November 2020.		
		The property interest is held under various government leases for a term of 999 years, with respective lease commencement dates and government rent payable, as stipulated in note ii below.		

Notes:

- i. Pursuant to the searches records obtained from the Land Registry, the registered owner of the property interests as at the Valuation Date was KK VII (BVI) Limited, which is an indirect wholly-owned subsidiary of the Company.
- ii. Pursuant to the search records obtained from the Land Registry, the particulars of the lots under which the property interests are held under are as follows:
 - a. The Marine Lot No. 502 is held under government lease for a term of 999 years, commencing on 28 May 1900, with an annual government rent payable of HK\$46.00.

- b. The Marine Lot No. 503 is held under government lease for a term of 999 years, commencing on 28 May 1900, with an annual government rent payable of HK\$44.00.
 - c. The Marine Lot No. 504 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$18.00.
 - d. The Section A of Marine Lot No. 505 is held under government lease for a term of 999 years, commencing on 8 January 1900, with an annual government rent payable of HK\$16.08.
 - e. The remaining portion of Marine Lot No. 505 is held under government lease for a term of 999 years, commencing on 8 January 1900, with an annual government rent payable of HK\$17.92.
 - f. The Marine Lot No. 506 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$12.00.
 - g. The Inland Lot No. 3183 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$18.00.
 - h. The Inland Lot No. 3184 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$18.00.
- iii. The major encumbrance registered against the property interests are as follows:
- a. Deed of Dedication with plan re part in favour of the Government of Hong Kong dated 17 March 1995 vide Memorial No. UB6257857;
 - b. Modification Letter re ML 502 dated 26 April 1995 vide Memorial No. UB6279960;
 - c. Occupation Permit (No. H37/95) dated 31 May 1995 vide Memorial No. UB6311690;
 - d. Deed of Mutual Covenant and Management Agreement in favour of China Merchants & Kan Property Management Company Limited dated 21 June 1995 vide Memorial No. UB6344864;
 - e. Sub-Deed of Mutual Covenant (Remarks: Supplemental to D.M.C. and Management Agreement M/N 6344864) dated 21 June 1995 vide Memorial No. UB6346483; and
 - f. Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys (pt.) dated 23 February 2022 vide Memorial No. 22030401660035.
- iv. The property sales comparable are selected as they have characteristics comparable to the office portion of the property interests. The price range of the comparable from HKD15,000 to HKD19,000 per ft² on saleable area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including time, size, location, view, floor, year of completion, and any other relevant factors when comparing such sales against the property interests. In the course of our valuation, we have adopted the average unit rate of the comparable of HKD14,990 per ft² on saleable area.
- v. The selection criteria of the 3 office transaction comparable references are stated below:
- a. The usage of the comparable references, which are office;
 - b. The location of the comparable references, which are located in Sheung Wan, Hong Kong;
 - c. The saleable area of the comparable references, which are larger than 1,500 ft²; and

- d. The transaction date of the comparable references has occurred within 3 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

- vi. The property sales comparable are selected as they have characteristics comparable to the car parking space portion of the property interests. The price range of the comparable from HKD1,900,000 to HKD2,200,000 per car parking space. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including time, location, floor, and any other relevant factors when comparing such sales against the property interests. In the course of our valuation, we have adopted the average unit rate of the comparable of HKD1,500,000 per car parking space.
- vii. The selection criteria of the 3 car parking space transaction comparable references are stated below:
 - a. The usage of the comparable references, which are car parking space;
 - b. The location of the comparable references, which are located in Sheung Wan, Hong Kong;
 - c. The floor level of the comparable references, which are located on 2nd floor; and
 - d. The transaction date of the comparable references has occurred within 3 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

VALUATION CERTIFICATE

No.	Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2025 HKD
2.	29th Floor, Flat Roof above 29th Floor and Carpark Space No. P12 on 2nd Floor, No. 9 Des Voeux Road West, Hong Kong	The property interest comprises an office unit on the 29th floor, a flat roof above 29th floor and a car parking space on the 2nd floor of No. 9 Des Voeux Road (the “development”), which is a 29-storey office building completed in 1995, as per Occupation Permit No. H37/95.	The Property was owner occupied as at the Valuation Date	80,500,000 (100% interest attributable to the Group: 80,500,000)
	An aggregate of 488/10,010 equal and undivided shares of and in Marine Lot No. 502, Marine Lot No. 503, Marine Lot No. 504, Section A and the Remaining Portion of Marine Lot No. 505, Marine Lot No. 506, Inland Lot No. 3183 and Inland Lot No. 3184.	The development is located on the northwestern side of Des Voeux Road West, near its junction with Queen Street in Sheung Wan, Hong Kong.		
		The gross floor area and saleable area of the office portion of the property interests are approximately 7,192 ft ² (668.15 m ²) and 5,025 ft ² (466.83 m ²), respectively. The ancillary area of the flat roof portion of the property interest are approximately 2,137 ft ² (198.53 m ²)		
		The development is zoned as “Commercial” under the approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34, which was gazetted on 13 November 2020.		
		The property interest is held under various government leases for a term of 999 years, with respective lease commencement dates and government rent payable, as stipulated in note ii below.		

Notes:

- i. Pursuant to the searches records obtained from the Land Registry, the registered owner of the property interests as at the Valuation Date was KK VIII (BVI) Limited, which is an indirect wholly-owned subsidiary of the Company.

- ii. Pursuant to the search records obtained from the Land Registry, the particulars of the lots under which the property interests are held under are as follows:
- a. The Marine Lot No. 502 is held under government lease for a term of 999 years, commencing on 28 May 1900, with an annual government rent payable of HK\$46.00.
 - b. The Marine Lot No. 503 is held under government lease for a term of 999 years, commencing on 28 May 1900, with an annual government rent payable of HK\$44.00.
 - c. The Marine Lot No. 504 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$18.00.
 - d. The Section A of Marine Lot No. 505 is held under government lease for a term of 999 years, commencing on 8 January 1900, with an annual government rent payable of HK\$16.08.
 - e. The remaining portion of Marine Lot No. 505 is held under government lease for a term of 999 years, commencing on 8 January 1900, with an annual government rent payable of HK\$17.92.
 - f. The Marine Lot No. 506 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$12.00.
 - g. The Inland Lot No. 3183 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$18.00.
 - h. The Inland Lot No. 3184 is held under government lease for a term of 999 years, commencing on 28 November 1899, with an annual government rent payable of HK\$18.00.
- iii. The major encumbrance registered against the property interests are as follows:
- a. Deed of Dedication with plan re part in favour of the Government of Hong Kong dated 17 March 1995 vide Memorial No. UB6257857;
 - b. Modification Letter re ML 502 dated 26 April 1995 vide Memorial No. UB6279960;
 - c. Occupation Permit (No. H37/95) dated 31 May 1995 vide Memorial No. UB6311690;
 - d. Deed of Mutual Covenant and Management Agreement in favour of China Merchants & Kan Property Management Company Limited dated 21 June 1995 vide Memorial No. UB6344864;
 - e. Sub-Deed of Mutual Covenant (Remarks: Supplemental to D.M.C. and Management Agreement M/N 6344864) dated 21 June 1995 vide Memorial No. UB6346483; and
 - f. Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys (pt.) dated 23 February 2022 vide Memorial No. 22030401660020.
- iv. The property sales comparable are selected as they have characteristics comparable to the office portion of the property interests. The price range of the comparable from HKD15,000 to HKD19,000 per ft² on saleable area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including time, size, location, view, floor, year of completion, and any other relevant factors when comparing such sales against the property interests. In the course of our valuation, we have adopted the average unit rate of the comparable of HKD15,040 per ft² on saleable area.

- v. The selection criteria of the 3 office transaction comparable references are stated below:
- a. The usage of the comparable references, which are office;
 - b. The location of the comparable references, which are located in Sheung Wan, Hong Kong;
 - c. The saleable area of the comparable references, which are larger than 1,500 ft²; and
 - d. The transaction date of the comparable references has occurred within 3 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

- vi. The property sales comparable are selected as they have characteristics comparable to the car parking space portion of the property interests. The price range of the comparable from HKD1,900,000 to HKD2,200,000 per car parking space. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including time, location, floor, and any other relevant factors when comparing such sales against the property interests. In the course of our valuation, we have adopted the average unit rate of the comparable of HKD1,500,000 per car parking space.

- vii. The selection criteria of the 3 car parking space transaction comparable references are stated below:

- a. The usage of the comparable references, which are car parking space;
- b. The location of the comparable references, which are located in Sheung Wan, Hong Kong;
- c. The floor level of the comparable references, which are located on 2nd floor; and
- d. The transaction date of the comparable references has occurred within 3 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

APPENDIX II-D — REPORT FROM THE COMPANY’S FINANCIAL ADVISER ON THE VALUATION REPORT IN RESPECT OF THE LAND DISPOSAL

The following is the full text of the report from ABCI to the Board in relation to the 1/5 of land and above-ground buildings in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC valuation report, which has been prepared for the purpose of inclusion in this Scheme Document.

**ABCI CAPITAL LIMITED**

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

17 April 2025

The Board of Directors
Canvest Environmental Protection Group Company Limited
28/F, No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs and Madams,

We refer to the valuation report (the “**Valuation Report**”) with respect to 1/5 of land and above-ground buildings in the 3rd neighbourhood of Yuepu Town, Baoshan District, Shanghai, the PRC (中國上海市寶山區月浦鎮3街坊1/5丘土地及地上建築物) prepared by Shanghai Kedong Real Estate Appraisal Co., Ltd. (the “**Independent Valuer**”) as set out in Appendix II-A of this Scheme Document. We are required to report on the Valuation Report under Rule 11.1(b) of the Takeovers Code. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

We have relied on the information and facts supplied, and the opinion expressed by Canvest Environmental Protection Group Company Limited and the Independent Valuer, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at 28 February, 2025. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied to us.

Pursuant to the Corporate Finance Adviser Code of Conduct, with regard to the qualifications and experience of the Independent Valuer, based on the review work conducted by us, which includes reviewing the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussing the same with the Independent Valuer, we are satisfied that the Independent Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation competently.

On the basis of the foregoing, we are satisfied that the Independent Valuer possesses the qualifications and experience to compile the Valuation Report.

Yours faithfully,
for and on behalf of
ABCI CAPITAL LIMITED

Kevin Ma **Marco Wong**
Head of Investment Banking *Managing Director*

APPENDIX II-E — REPORT FROM THE COMPANY’S FINANCIAL ADVISER ON THE VALUATION REPORT IN RESPECT OF THE SMART PARKING DISPOSAL

The following is the full text of the report from ABCI to the Board in relation to the Canvest Technology Company Limited Valuation Report, which has been prepared for the purpose of inclusion in this scheme document.

**ABCI CAPITAL LIMITED**

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

17 April 2025

The Board of Directors
Canvest Environmental Protection Group Company Limited
28/F, No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs and Madams,

We refer to the valuation report (the “**Valuation Report**”) with respect to Canvest Technology Company Limited prepared by Masterpiece Valuation Advisory Limited (the “**Independent Valuer**”) as set out in Appendix II-B of this Scheme Document. We are required to report on the Valuation Report under Rule 11.1(b) of the Takeovers Code. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

We have relied on the information and facts supplied, and the opinion expressed by Canvest Environmental Protection Group Company Limited and the Independent Valuer, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at 28 February, 2025. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied to us.

Pursuant to the Corporate Finance Adviser Code of Conduct, we have reviewed the Valuation Report and the supporting documents relating to the valuation of the 100% equity interest in the Canvest Technology Company Limited (the “**Valuation**”), and discussed with the Independent Valuer regarding the Valuation, including, in particular, the valuation approach, as well as key bases and assumptions adopted in the Valuation. With regard to the qualifications and experience of the Independent Valuer, based on the review work conducted by us, which includes reviewing the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussing the same

with the Independent Valuer, we are satisfied that the Independent Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation competently.

On the basis of the foregoing, we concur with the Independent Valuer that the valuation approach, as well as the bases and assumptions adopted in the Valuation have been made by the Independent Valuer with due care and objectivity, and on a reasonable basis. We are also satisfied that the Independent Valuer possesses the qualifications and experience to compile the Valuation Report.

Yours faithfully,
for and on behalf of
ABCI CAPITAL LIMITED

Kevin Ma **Marco Wong**
Head of Investment Banking *Managing Director*

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the directors of Grandblue are Mr. Wu Zhiyong and Ms. Tang Yuyun.

As at the Latest Practicable Date, the directors of Grandblue Environment are Mr. Zhang Houxiang, Ms. Jin Duo, Mr. Li Zhibin, Mr. Zhou Shaojie, Mr. Chen Yihua; and the independent directors of Grandblue Environment are Mr. Zhang Jun, Mr. Liang Jinqi and Ms. Li Kantong.

The directors of Grandblue and Grandblue Environment jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and Best Approach) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (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 this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Board comprises Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man, Mr. Yuan Guozhen and Mr. Lai Chun Tung, as executive Directors; Mr. Feng Jun, as non-executive Director; Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Kwok Nam and Mr. Lee Tsung Wah Jonathan, as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HKD\$50,000,000 divided into 5,000,000,000 Shares;
- (b) the Company had 2,441,541,169 Shares in issue;
- (c) save for the issue of 2,000,000 new Shares on 14 April 2025 as a result of the Share Options being exercised by holders of 2,000,000 Share Options, the Company had not issued any Shares since 31 December 2024, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) all of the issued Shares ranked *pari passu* in all respects as regards rights to capital, dividends and voting; and

- (e) save for the 250,000 Share Options, there were no outstanding options, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which may affect the Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
31 January 2024	4.140
29 February 2024	4.110
28 March 2024	4.030
30 April 2024	4.040
31 May 2024	3.920
28 June 2024	4.200
22 July 2024 (Last Trading Day)	4.390
31 July 2024	4.400
30 August 2024	4.310
30 September 2024	4.470
31 October 2024	4.360
29 November 2024	4.450
31 December 2024	4.590
28 January 2025	4.750
28 February 2025	4.710
31 March 2025	4.740
15 April 2025 (Latest Practicable Date)	4.750

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.79 on 10 March 2025 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.79 on 12 January 2024.

4. DISCLOSURE OF INTERESTS

4.1 Directors' and chief executive's interests in Shares and underlying Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange; or (iv) which were required to be disclosed under the Takeovers Code, were as follows:

(1) Interest in shares of the Company

Name of Director	Number of Shares/Underlying Shares Held						Total interests as % of the issued share capital
	Personal interest	Number of underlying shares held under equity derivatives	Spouse interests	Founder of a discretionary trust ⁽¹⁾	Beneficiary of trust	Total interests ⁽²⁾	
Ms. Loretta Lee	1,376,000	250,000	250,000	1,335,615,837	—	1,337,491,837	54.8%
				(long position)		(long position)	
				243,954,117		243,954,117	10.0%
Mr. KM Lai	—	—	10,000,000	(short position)		(short position)	
				1,335,615,837	—	1,345,615,837	55.2%
				(long position)		(long position)	
Mr. Yuan Guozhen	250,000	—	357,000	243,954,117		243,954,117	10.0%
				(short position)		(short position)	
				—	—	607,000	0.02%
Mr. CT Lai	250,000	—	1,626,000	—	1,335,615,837	1,337,491,837	54.8%
					(long position)	(long position)	
					243,954,117	243,954,117	10.0%
Professor Sha Zhenquan	100,000	—	—	(short position)		(short position)	
				—	—	100,000	0.0%
				—	—	80,000	0.0%
Mr. Chung Kwok Nam	80,000	—	—	—	—	80,000	0.0%

Notes:

- The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

2. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

(2) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Approximate percentage of interest
Ms. Loretta Lee ⁽¹⁾	Best Approach	100.0%
Mr. KM Lai ⁽¹⁾	Best Approach	100.0%

Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein (or pursuant to the Model Code to be notified to the Company and the Stock Exchange).

4.2 Interests of Substantial Shareholders

So far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO; or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate Percentage of Shareholding
HSBC International Trust Limited	Trustee	1,335,615,837 ⁽¹⁾ (long position) 243,954,117 (short position)	—	54.7% 10.0%
VISTA Co	Interest of controlled corporation	1,335,615,837 ⁽²⁾ (long position) 243,954,117 (short position)	—	54.7% 10.0%
Century Rise Development Limited	Interest of controlled corporation	1,335,615,837 ⁽³⁾ (long position) 243,954,117 (short position)	—	54.7% 10.0%
Best Approach	Beneficial owner	1,335,615,837 (long position) 243,954,117 (short position)	—	54.7% 10.0%
Shanghai Industrial	Interest in controlled corporation	719,205,117 ⁽⁴⁾ (long position)	—	29.5%
Shanghai Industrial Investment (holdings) Company Limited	Interest in controlled corporation	719,205,117 ⁽⁴⁾ (long position)	—	29.5%
True Victor	Beneficial owner	475,251,000 ⁽⁴⁾	—	19.5%

Notes:

- The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).
- VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise Development Limited. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise Development Limited and Best Approach for the purposes of the SFO.

3. Century Rise Development Limited holds 45% of the issued share capital of Best Approach. Therefore, Century Rise Development Limited is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.
4. True Victor is an indirect wholly-owned subsidiary of Shanghai Industrial.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, there was no other person who had interest or short position in Shares or underlying shares of the Company which were required (pursuant to section 336 of the SFO) to be recorded in the register referred to therein.

4.3 Interests of the Offeror, the Offeror Concert Parties and other substantial Shareholders in the Shares

As at the Latest Practicable Date,

- (a) Best Approach holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company, of which 370,668,722 Shares, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial. Shanghai Industrial has agreed that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting;
- (b) Ms. Loretta Lee holds 1,376,000 Shares, representing approximately 0.06% of the total issued share capital of the Company, and 250,000 Share Options. The exercise price of the aforesaid Share Options is HK\$4.39, which remain exercisable between 24 April 2015 to 23 April 2025. Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her;
- (c) Mr. CT Lai holds 250,000 Shares, representing approximately 0.01% of the total issued share capital of the Company; and
- (d) Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse, representing approximately 0.41% of the total issued share capital of the Company.

As at the Latest Practicable Date, save as disclosed above, none of the Offeror, its directors or the Offeror Concert Parties had any interest in, owned or controlled any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

4.4 Disclosure of interest and dealings in Offeror's shares

- (a) As at the Latest Practicable Date, the Company did not own or control, and no Director had any interest in, any shares (or any convertible securities, warrants, options or derivatives in respect of shares) in the Offeror.
- (b) During the Relevant Period, neither the Company nor any of the Directors had any dealings in any shares (or any convertible securities, warrants, options or derivatives in respect of shares) in the Offeror.

4.5 Dealings in the securities of the Company

- (a) During the Relevant Period:
 - (i) Save for the exercise of (i) 250,000 Share Options at an exercise price of HK\$4.39 per Share by Mr. Yuan Guozhen, an executive Director, on 14 April 2025; and (ii) 250,000 Share Options at an exercise price at HK\$4.39 per Share by Mr. CT Lai on 14 April 2025, none of the Company or the Directors had dealt for value in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares). The aforesaid Share Options were granted to them on 24 April 2015, which remain exercisable between 24 April 2015 to 23 April 2025. The total consideration paid by each of Mr. Yuan Guozhen and Mr. CT Lai was HK\$1,097,500.
 - (ii) Save for the exercise of 250,000 Share Options by Mr. CT Lai, none of the Offeror, the directors of the Offeror nor any of the Offeror Concert Parties had dealt for value in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
 - (iii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any Offeror Concert Party and any person.
 - (iv) No person who had irrevocably committed themselves to accept the Proposal, to cancel the Scheme Shares or the Options or to vote for or against the Scheme had dealt for value in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).
 - (v) None of the Offeror and the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold.

- (b) During the Offer Period and up to the Latest Practicable Date:
- (i) No subsidiary of the Company, no pension fund of any member of the Group and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding any exempt principal trader or exempt fund manager) had dealt for value in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
 - (ii) No fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares (or convertible securities, warrants, options and derivatives in respect of Shares).

4.6 Other interests

As at the Latest Practicable Date:

- (i) None of the Offeror or any of the Offeror Concert Parties had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (ii) Save as disclosed in the paragraph headed “4. Disclosure of Interests — Directors’ and chief executive’s interests in Shares and underlying Shares” above, none of the Directors was interested in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).
- (iii) Save as disclosed in the paragraph headed “4. Disclosure of Interests — Interests of the Offeror, the Offeror Concert Parties and other substantial Shareholders in the Shares” above, none of the Offeror, its directors, or the Offeror Concert Parties was interested in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
- (iv) No subsidiary of the Company, no pension fund of any member of the Group and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding any exempt principal trader or exempt fund manager) owned or controlled any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
- (v) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with: (i) the Offeror or the Offeror Concert Parties; and (ii) the Company or any party acting in concert with it (including any person who is presumed to be acting in concert with the Company by virtue

of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code) or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code.

- (vi) No fund manager (other than exempt fund managers) connected with the Company managed any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) on a discretionary basis.
- (vii) Ms. Loretta Lee intends to accept the Option Offer in respect of her holdings of outstanding Options. No other Director has any outstanding Options.
- (viii) Neither the Company nor any Directors had borrowed or lent any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares), save for any borrowed shares which had been either on-lent or sold.

4.7 Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) save for the Irrevocable Undertaking, the Undertaking, the Rollover Arrangement and the Corporate Governance Agreement, there was no material contract which had been entered into by the Offeror in which any Director had a material personal interest;
- (b) save for the Irrevocable Undertaking, the Undertaking, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the Proposal, the Rollover Arrangement, the EB Amendments and the Corporate Governance Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between (i) the Offeror or the Offeror Concert Parties; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with conditional on or dependence upon the Proposal;
- (c) save for the Conditions, there was no agreement or arrangement to which the Offeror are a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal and/or the Scheme;
- (d) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be received or acquired in pursuance of the Proposal, and the Offeror had no intention to transfer, charge or pledge any Shares received or acquired in pursuance of the Proposal to any other person;
- (e) save for the Irrevocable Undertaking, the Undertaking, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the Proposal, the Rollover Arrangement, the EB Amendments and the Corporate Governance Agreement, there are no arrangements (whether by way of option, indemnity

or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal and/or the Scheme;

- (f) there was no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (g) save as disclosed in the sub-section headed “4.1 Directors’ and chief executive’s interests in Shares and underlying Shares” in this Appendix III and save for the voting indications as disclosed in the section headed “20. EGM and Court Meeting” in Part VII — Explanatory Memorandum of this Scheme Document, none of the Directors hold any beneficial shareholding in the Shares which would entitle them to vote in favour or against the resolutions proposed at the EGM and the Scheme at the Court Meeting. As each of Mr. Yuan Guozhen, Professor Sha Zhenquan and Mr. Chung Kwok Nam are not Offeror Concert Parties, they will not abstain from voting on the resolutions at the EGM and the Court Meeting. Each of Mr. Yuan Guozhen, Professor Sha Zhenquan and Mr. Chung Kwok Nam has also indicated their intention to vote in favor of the resolutions proposed at the EGM and the Scheme at the Court Meeting;
- (h) due to the Rollover Arrangement and the special deals in relation to the Land Disposal, Smart Parking Disposal, Office Building Disposal and the EB Amendments, in accordance with the requirements of the relevant laws and regulations (including the Takeovers Code), Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee will abstain from voting (i) on the special deals in relation to the Rollover Arrangement, the Land Disposal, Smart Parking Disposal, Office Building Disposal and the EB Amendments at the EGM; and (ii) on the Scheme at the Court Meeting, and True Victor will abstain from voting on the EB Amendments at the EGM;
- (i) save for the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal and the EB Amendments, the Irrevocable Undertaking, the Undertaking and the Corporate Governance Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror and Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies;
- (j) save for the Cancellation Price and the Option Offer Price, no benefit (other than statutory compensation) was or would be given to any Director as compensation for his or her loss of office or otherwise in connection with the Proposal;

- (k) save for the Irrevocable Undertaking, none of the Offeror or the Offeror Concert Parties had received any irrevocable commitment to accept the Proposal to accept or cancel the Scheme Shares or the Options (or to vote for or against the Scheme or to accept the Option Offer);
- (l) the Offeror and the Offeror Concert Parties had not entered into any derivative in respect of the securities of the Company; and
- (m) save for the Cancellation Price and the Option Offer Price, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror (or the Offeror Concert Parties) to any Scheme Shareholders in connection with the Proposal.

5. MATERIAL LITIGATION

No members of the Group are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being a contract entered into in the ordinary course of business) that have been entered into by members of the Group within the two years prior to the date of the Announcement (i.e. commencement of the Offer Period) up to the Latest Practicable Date:

1. In September 2024, World Prosperous Investments Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 30% equity interest in Sichuan SIIC Ecological Environmental Co., Ltd. (四川上實生態環境有限責任公司) (“**Sichuan SIIC**”) at a consideration of RMB115,500,000 (equivalent to HK\$128,079,000). Upon the completion of the disposal, Sichuan SIIC is no longer an associate of the Group.
2. On 20 October 2024, Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司) (“**Canvest Kewei**”) entered into an equity transfer agreements with the shareholders of Baoding Yi County Canvest Environmental Power Company Limited (“**Baoding Yi County Canvest**”) to acquire 20% equity interests of Baoding Yi County Canvest for a total consideration of RMB30,000,000 (equivalent to HK\$32,705,000) and 0.1% equity interests of Baoding Yi County Canvest for a total consideration of RMB1 (equivalent to HK\$1). Upon the completion of these acquisitions, the Group owns 99.9% equity interest in Baoding Yi County Canvest.

3. On 29 October 2024, Canvest Kewei entered into an equity transfer agreement with the non-controlling interest holder of Dehong Canvest Environmental Power Company Limited (“**Dehong Canvest**”) to acquire 10% equity interests of Dehong Canvest for a total consideration of RMB9,000,000 (equivalent to HK\$9,812,000). Upon the completion of the acquisition, the Group owns 100% equity interest in Dehong Canvest.

7. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which are in force and which: (i) (including both continuous and fixed-term contracts) had been entered into or amended within the Relevant Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period:

Name of Director	Date of service contract	Expiry date	Fixed remuneration payable under the contract	Amount of any variable remuneration payable under the contract
Ms. Loretta Lee	September 24, 2023	September 23, 2026	HKD1,800,000 per annum	Discretionary bonus taking into account the Company's performance and business
Mr. Lai Kin Man	September 24, 2023	September 23, 2026	HKD600,000 per annum	
Mr. Yuan Guozhen	September 24, 2023	September 23, 2026	RMB855,000 per annum	
Mr. Lai Chun Tung	September 24, 2023	September 23, 2026	HKD3,300,000 per annum	
Mr. Feng Jun	March 31, 2023	March 30, 2026	N/A	N/A
Mr. Sha Zhenquan	December 7, 2023	December 6, 2026	HKD180,000 per annum	N/A
Mr. Chan Kam Kwan Jason	December 7, 2023	December 6, 2026	HKD240,000 per annum	N/A
Mr. Chung Kwok Nam	March 31, 2023	March 30, 2026	HKD180,000 per annum	N/A
Mr. Lee Tsung Wah Jonathan	September 14, 2023	September 13, 2026	HKD180,000 per annum	N/A

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or have given their opinion or advice which are contained in this Scheme Document:

Name	Qualification
CITIC Securities (Hong Kong) Limited	the exclusive financial adviser to the Offeror in respect of the Proposal. CITIC Securities is a licensed corporation under the SFO, licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Somerley Capital Limited	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the Independent Financial Adviser appointed to advise the Independent Board Committee in connection with the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer
Shanghai Kedong Real Estate Appraisal Co., Ltd.	an independent qualified valuer in respect of the Land Disposal
Masterpiece Valuation Advisory Limited	an independent valuer in respect of the Smart Parking Disposal and the Office Building Disposal

Each of the experts named above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of the text of its letter, report or opinion (as the case may be) and references to its name in the form and context in which they are included.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at 28/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong.
- (b) The registered office of the Offeror is at Unit C, 9/F Winning House, No. 72–76 Wing Lok Street, Sheung Wan, Hong Kong.
- (c) The directors of the Offeror are Mr. Wu Zhiyong and Ms. Tang Yuyun.

- (d) The registered office of Grandblue Environment is at 12/F, Hanlan Plaza, No. 23 Ronghe Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, China.
- (e) The directors of Grandblue Environment are Mr. Zhang Houxiang, Ms. Jin Duo, Mr. Li Zhibin, Mr. Zhou Shaojie, Mr. Chen Yihua; and the independent directors of Grandblue Environment are Mr. Zhang Jun, Mr. Liang Jinqi and Ms. Li Kantong.
- (f) The shareholding structure of the Offeror is disclosed in the section headed “14. Information on the Offeror” in Part VII — Explanatory Memorandum of this Scheme Document.
- (g) CITIC Securities is the exclusive financial adviser to the Offeror in relation to the Proposal, and its registered address is at 18/F, One Pacific Place, 88 Queensway, Hong Kong.
- (h) ABCI Capital is the exclusive financial adviser to the Company in relation to the Proposal, and its registered address is at 11/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong.
- (i) The registered address of the Independent Financial Adviser in Hong Kong is situated at 20/F, China Building, 29 Queen’s Road Central, Hong Kong.
- (j) The principal members of the Offeror Concert Parties are:
 - (i) Best Approach, whose address is at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands. The directors of Best Approach are Ms. Loretta Lee and Mr. KM Lai. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members);
 - (ii) Ms. Loretta Lee, whose address is at Penthouse B, Penthouse Level 1–3, Grand Deco Tower, 26 Tai Hang Road, Hong Kong;
 - (iii) Mr. CT Lai, whose address is at Penthouse B, Penthouse Level 1–3, Grand Deco Tower, 26 Tai Hang Road, Hong Kong; and
 - (iv) Mr. KM Lai, whose address is at FT 11, Peak Hse, 68 Mei Tin Road, Tai Wai, New Territories, Hong Kong.

- (k) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, which is located at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (l) The principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited at PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.
- (m) The company secretary of the Company is Ms. Wong Ling Fong, Lisa. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants.
- (n) The English language text of this Scheme Document will prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents are available for inspection on the website of the Company at www.canvestenvironment.com and the website of SFC at www.sfc.hk from the date when this Scheme Document is published until (a) the Effective Date, and (b) the date on which the Scheme is withdrawn or lapses, whichever is earlier:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of the Company for the years ended 31 December 2022, 2023 and 2024;
- (d) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (g) the valuation reports, the text of which are set out in Appendix II to this Scheme Document;
- (h) the contracts referred to in the section headed “6. Material Contracts” in this Appendix III;
- (i) the written consents referred to in the section headed “8. Consents and Qualifications of Experts” in this Appendix III;
- (j) the Irrevocable Undertaking (including the terms of the Rollover Arrangement);
- (k) the Undertaking;

- (l) the Corporate Governance Agreement;
- (m) the sale and purchase agreement dated 22 July 2024 and entered into by Canvest Kewei Environmental Protection Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司) and Best Approach in respect of the Land Disposal;
- (n) the sale and purchase agreement dated 22 July 2024 and entered into by the Company and Best Approach in respect of the Smart Parking Disposal;
- (o) the sale and purchase agreement dated 22 July 2024 and entered into by Yi Feng Development Limited and Best Approach in respect of the Office Building Disposal;
- (p) this Scheme Document;
- (q) the service contracts referred to in the section headed “7. Service Contracts” in this Appendix III;
- (r) the Form of Acceptance; and
- (s) the Option Offer Letter.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 0071 of 2025 (IKJ)

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT
(2025 REVISION) AND**

**IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 2023
(AS REVISED) AND**

**IN THE MATTER OF CANVEST ENVIRONMENTAL PROTECTION GROUP
COMPANY LIMITED 粵豐環保電力有限公司**

SCHEME OF ARRANGEMENT

BETWEEN

**CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
粵豐環保電力有限公司**

AND

**THE SCHEME SHAREHOLDERS
(AS DEFINED BELOW)**

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “concert party” shall be construed accordingly
“Best Approach”	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of the BVI with limited liability, which is directly held as to 55% by VISTA Co and indirectly held as to 45% by VISTA Co through Century Rise Development Limited, and holds 1,335,615,837 Shares, representing approximately 54.70% of the total issued share capital of the Company as at the Latest Practicable Date
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands

“Cancellation Price”	the cancellation price of HK\$4.90 (less the Dividend Adjustment (if any)) per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands
“Company”	Canvest Environmental Protection Group Company Limited 粵豐環保電力有限公司 (stock code: 1381), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “4. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of the Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court, at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix VI to the Scheme Document, or any adjournment or postponement thereof
“Deferred Cancellation Price”	HK\$963,516,293.17, representing approximately 16.96% of the total cancellation price payable by the Offeror to Best Approach under the Proposal
“Dividend Adjustment”	has the meaning ascribed to it under the section headed “3. Terms of the Proposal in Part VII — Explanatory Memorandum of the Scheme Document
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act being the date on which a copy of the order of the Grand Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands

“Harvest VISTA Trust”	the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Irrevocable Undertaking”	the irrevocable undertaking dated 22 July 2024 and given by Best Approach (as the covenantor) and Mr. KM Lai and Ms. Loretta Lee (as Best Approach’s guarantors) in favour of the Offeror
“Latest Practicable Date”	15 April 2025, being the latest practicable date for ascertaining certain information contained in the Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	14 November 2025 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and, in all cases, as permitted by the Executive
“Mr. CT Lai”	Mr. Lai Chun Tung (黎俊東), an executive director of the Company and the spouse of Ms. Loretta Lee
“Mr. KM Lai”	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), an executive director and the deputy chairman of the Company
“Ms. Loretta Lee”	Ms. Lee Wing Yee, Loretta (李詠怡), an executive director and chairlady of the Board
“Offeror”	GRANDBLUE INVESTMENT HONGKONG LIMITED (瀚藍(香港)環境投資有限公司), a company incorporated in Hong Kong with limited liability
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code), including Best Approach, Ms. Loretta Lee, Mr. KM Lai and Mr. CT Lai

“Option Offer”	the offer made by or on behalf of the Offeror to the holder(s) of the outstanding Share Option(s)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the Option Offer and the withdrawal of the listing of the Shares from the Stock Exchange on the terms and subject to the Conditions set out in the Scheme Document
“Record Date”	Friday, 30 May 2025, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Rollover Arrangement”	the arrangement between the Offeror and Best Approach under the Irrevocable Undertaking as described in the section headed “9. Special deal in relation to the Rollover Arrangement” in Part VII — Explanatory Memorandum of the Scheme Document
“Rollover Shares”	the 176,388,620 Shares held by Best Approach which is subject to the Rollover Arrangement, representing approximately 7.22% of the total issued share capital of the Company as at the Latest Practicable Date
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under section 86 of the Companies Act involving, among other things, the cancellation of all the Scheme Shares in exchange for the Cancellation Price with or subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court
“Scheme Document”	the scheme document jointly issued by the Company and the Offeror to the Shareholders containing, among other things, further details of the Proposal and the Scheme
“Scheme Share(s)”	all of the Share(s) in issue and such further Share(s) as may be issued prior to the Record Date, other than (i) those which are held or beneficially owned by the Offeror; and (ii) the Rollover Shares
“Scheme Shareholder(s)”	registered holder(s) of Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Shanghai Industrial”	Shanghai Industrial Holdings Limited (Stock Code: 363), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option(s)”	the vested and unvested, share option(s), each relating to one Share, granted under the Share Option Scheme from time to time
“Share Option Scheme”	the share option scheme adopted by the Company on 7 December 2014 and subsequently expired on 6 December 2024
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“VISTA Co”	Harvest Vista Company Limited, a company incorporated in the BVI, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust, the discretionary beneficiaries of which include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members)

- (B) The Company was incorporated as an exempted company on 28 January 2014 with limited liability in the Cayman Islands.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$50,000,000 divided into 5,000,000,000 Shares. As at the Latest Practicable Date, the issued share capital of the Company was HK\$24,415,411.69 divided into 2,441,541,169 Shares, with the remainder being unissued.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme and the Option Offer.

(E) The primary purpose of the Scheme is to privatise the Company by cancelling all the Scheme Shares in consideration for the Cancellation Price (less the Dividend Adjustment (if any)) such that the Company shall thereafter become wholly owned by the Offeror and Best Approach. Contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of the Scheme Shares cancelled. The credit created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

(F) As at the Latest Practicable Date, the major shareholders were as follows:

Shareholders	<i>Number of Shares</i>	<i>Approximate %</i>
Offeror	—	—
Offeror Concert Parties		
<i>Shares held not subject to the Scheme</i>		
Best Approach ⁽¹⁾	176,388,620	7.22
<i>Shares held subject to the Scheme</i>		
Best Approach ⁽¹⁾	1,159,227,217	47.48
Ms. Loretta Lee ^(1,2)	1,376,000	0.06
Mr. KM Lai ⁽³⁾	10,000,000	0.41
Mr. CT Lai ^(2,4)	250,000	0.01
Subtotal	<u>1,347,241,837</u>	<u>55.18</u>
Other Directors		
Mr. Yuan Guozhen ^(5,6)	607,000	0.02
Professor Sha Zhenquan ⁽⁶⁾	100,000	0.004
Mr. Chung Kwok Nam ⁽⁶⁾	80,000	0.003
True Victor Holdings Limited ⁽⁷⁾	475,251,000	19.47
Other Scheme Shareholders	618,261,332	25.32
Total number of Shares in issue	<u>2,441,541,169</u>	<u>100.00</u>

Notes: The following are the notes in respect of the table above:

1. As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares, of which 370,668,722 Shares, representing approximately 15.18% of the total issued share capital of the Company, have been pledged by Best Approach to Shanghai Industrial. Shanghai Industrial has agreed that conditional upon the Scheme being approved at the Court Meeting, Shanghai Industrial shall release the Pledged Shares within three (3) business days from the date of the Court Meeting. The entire issued share capital of Best Approach is directly or indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members). Best Approach is an Offeror Concert Party. As at the Latest Practicable Date, Best Approach holds 1,335,615,837 Shares, among which, 1,159,227,217 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the remaining 176,388,620 Shares are Rollover Shares which will not form part of the Scheme Shares.
2. Ms. Loretta Lee, an executive director of the Company, is an Offeror Concert Party. As at the Latest Practicable Date, Ms. Loretta Lee holds 250,000 Share Options. Mr. CT Lai is an executive director of the Company and the spouse of Ms. Loretta Lee. Under the SFO, Ms. Loretta Lee is deemed to be interested in the same number of Shares in which Mr. CT Lai is interested. Pursuant to the Irrevocable Undertaking, Ms. Loretta Lee has undertaken that she will refrain from exercising the 250,000 Share Options held by her and will accept the Option Offer in respect of Share Options held by her.
3. Mr. KM Lai, an executive director of the Company, is an Offeror Concert Party. Mr. KM Lai is deemed to be interested in 10,000,000 Shares held by his spouse, representing approximately 0.41% of the total issued share capital of the Company.
4. Mr. CT Lai, an executive director of the Company, is an Offeror Concert Party and holds 250,000 Shares, representing 0.01% of the total issued share capital of the Company.
5. Mr. Yuan Guozhen, an executive director of the Company, holds 250,000 Shares and is deemed to be interested in 357,000 Shares held by his spouse, representing approximately 0.01% of the total issued share capital of the Company.
6. None of these directors of the Company is acting in concert with the Offeror.
7. True Victor Holdings Limited is an indirect wholly-owned subsidiary of Shanghai Industrial. True Victor Holdings Limited does not have any relationship with the Offeror. Other than the issuance of the exchangeable bonds in respect of the Shares by Best Approach to Shanghai Industrial (being the parent company of True Victor Holdings Limited), there is no relationship between Best Approach and True Victor Holdings Limited.
8. The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures.

- (G) Each of Best Approach, Mr. KM Lai, Mr. CT Lai and Ms. Loretta Lee has given an undertaking to the Grand Court (i) not to vote at the Court Meeting and will procure that any Shares in respect of which it/he/she is legally or beneficially interested will not be represented or voted at the Court Meeting and (ii) to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it/him/her for the purpose of giving effect to the Scheme.

THE SCHEME

PART I

CANCELLATION OF THE SCHEME SHARES AND ISSUE OF NEW SHARES CREDITED AS FULLY PAID AT PAR TO OFFEROR

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling the Scheme Shares and the Scheme Shareholders (as appear in the register of members of the Company on the Record Date) shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Price;
 - (b) subject to and contemporaneously with such reduction of issued share capital taking effect, the issued share capital of the Company will be maintained by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares by paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

PART II

CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES

2. In consideration of the cancellation of the Scheme Shares, each Scheme Shareholder as appears in the register of members of the Company on the Record Date shall be entitled to receive the Cancellation Price (less the Dividend Adjustment (if any)).

PART III

GENERAL

3. (a) As soon as possible but in any event within seven Business Days following the Effective Date, the Offeror shall post or cause to be posted cheques to the Scheme Shareholders in respect of such sums payable to such Scheme Shareholders pursuant to paragraph 2 of the Scheme other than the Deferred Cancellation Price, which shall be paid subject to and in accordance with the terms of the Irrevocable Undertaking. If any severe weather condition is in force in Hong Kong: (a) at any time before 12:00 noon but no longer in force at or after 12:00 noon on the latest date to despatch cheques for the payment of the Cancellation

Price under the Scheme, the latest date to despatch cheques will remain on the same Business Day; or (b) at any time at or after 12:00 noon on the latest date to despatch cheques for the payment of the Cancellation Price under the Scheme, the latest date to despatch cheques will be rescheduled to the following Business Day which does not have any of those warnings in force at 12:00 noon and/or thereafter (or another Business Day thereafter that does not have any severe weather condition at 12:00 noon or thereafter). For this purpose, “severe weather” refers to the scenario where a tropical cyclone warning signal number 8 or above is hoisted, a black rainstorm warning and/or the “Extreme Conditions” warning as announced by the Hong Kong Government is/are in force in Hong Kong.

- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders entitled thereto at their respective registered addresses as appearing in the register of members of the Company as at the Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of the Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, the financial adviser to the Offeror in respect of the Proposal, the independent financial adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in dispatch.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of the Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies represented by such uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction required by law and expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the

Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of the Scheme, including accrued interest subject to, if applicable, any deduction required by law and expenses incurred.
 - (g) Paragraph 3(f) shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company, or to any person appointed by the Company, to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
6. Unless the Scheme shall have become effective on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), the Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition which the Grand Court may see fit to approve or impose.
8. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

Date: 17 April 2025



CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

粵豐環保電力有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1381)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Canvest Environmental Protection Group Company Limited (the “**Company**”) will be held at 2:30 p.m. (Hong Kong time) on Monday, 12 May 2025 at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the scheme document of the Company dated 17 April, 2025 (the “**Scheme Document**”) of which this notice forms part.

SPECIAL RESOLUTION

1. “**THAT:**

- (a) pursuant to a scheme of arrangement dated 17 April 2025 (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, subject to the Scheme being approved at the Count Meeting, on the Effective Date (as defined in the Scheme), the issued shares in the share capital of the Company shall be reduced by the cancellation of the Scheme Shares (as defined in the Scheme); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme and the reduction of the issued shares in the share capital of the Company pursuant to the Scheme, including (without limitation) giving consent to any modification of, or addition to, the Scheme which the Grand Court of the Cayman Islands may see fit to impose.”

ORDINARY RESOLUTIONS

2. **“THAT:**
- (a) subject to and contemporaneously with the cancellation of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be maintained at its former amount by issuance at par to the Offeror (as defined in the Scheme), credited as fully paid, of such number of new ordinary shares of HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled;
 - (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
 - (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme and the maintenance of issued share capital pursuant to the Scheme, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose.”
3. **“THAT** the Rollover Arrangement (as defined in the Scheme Document), which constitute a special deal under Rule 25 of the Takeovers Code (as defined in the Scheme Document), be and is hereby approved.”
4. **“THAT** the Land Disposal, Smart Parking Disposal and Office Building Disposal (each as defined in the Scheme Document), which constitute special deals under Rule 25 of the Takeovers Code (as defined in the Scheme Document), be and are hereby approved.”
5. **“THAT** the EB Amendments (as defined in the Scheme Document), which constitute a special deal under Rule 25 of the Takeovers Code (as defined in the Scheme Document), be and is hereby approved.”

Dated: 17 April 2025

By order of the board of directors of
Canvest Environmental Protection Group Company Limited
粵豐環保電力有限公司

Notes:

1. Voting at the EGM will be conducted by way of a poll.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint any number proxy to attend and vote instead of him/her at the EGM. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a shareholder of the Company.
3. For the purpose of determining the entitlements of holders of Shares to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 7 May 2025 to Monday, 12 May 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 6 May 2025 (Hong Kong time).

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 0071 of 2025 (IKJ)

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT
(2025 REVISION) AND**

**IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 2023
(AS REVISED) AND**

**IN THE MATTER OF CANVEST ENVIRONMENTAL PROTECTION GROUP
COMPANY LIMITED 粵豐環保電力有限公司**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 15 April 2025 made in the above matter, the Grant Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme (as defined further below)) to be convened for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) proposed to be made between Canvest Environmental Protection Group Company Limited 粵豐環保電力有限公司 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 24/F, Admiralty Center 1, 18 Harcourt Road, Hong Kong on Monday, 12 May 2025 at 3:00 p.m. (Hong Kong time) (or, if later, as soon as practicable after the conclusion or the adjournment of the EGM (as defined in the Scheme Document (as defined below)) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of an explanatory memorandum explaining, amongst other things, the effect of the Scheme are incorporated in the scheme document dated 17 April 2025 (the “**Scheme Document**”) of which this notice forms part. A copy of the Scheme Document may also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, during usual business hours.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, to attend, speak and vote in their stead. A pink form of proxy for use at the Court Meeting (or any adjournment or postponement thereof) is enclosed with the Scheme Document. The completion and return of the pink form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting, or any adjournment or postponement thereof, if he/she so wishes and in such event, the pink form of proxy will be revoked by operation of law.

In the case of joint holders of a Scheme Share (as defined in the Scheme), any one of such joint holders may vote at the Court Meeting, either in person or by proxy, in respect of such Scheme Share as if he/she was solely entitled thereto. However, if more than one of such joint holders is present at the Court Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of such joint holding.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

It is requested that the pink form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, be deposited at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 3:00 p.m. on Saturday, 10 May 2025 (Hong Kong time), but if the pink form of proxy is not so lodged, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion as to whether or not to accept it.

By the Order, the Grand Court has appointed any one of the independent non-executive directors of the Company, or failing whom, any other person who is an officer of the Company at as the date of the Court Meeting to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the proceedings of and voting at the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Grand Court.

Dated: 17 April 2025

On behalf of the board of directors of
Canvest Environmental Protection Group Company Limited
粵豐環保電力有限公司

Notes:

1. Voting at the Court Meeting on the Scheme will be conducted by way of a poll.
2. Any Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint any number of proxies to attend and vote instead of him/her. If more than one proxy is so appointed, the appointment shall specify the number of Scheme Shares in respect of which each such proxy is so appointed. A proxy need not be a shareholder of the Company.

3. For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Court Meeting, the register of members of the Company will be closed from Wednesday, 7 May 2025 to Monday, 12 May 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the Court Meeting, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 6 May 2025 (Hong Kong time).

The following is a form of the Option Offer Letter being sent to each Optionholder in connection with the Option Offer.

Grandblue Investment Hongkong Limited
Unit C, 9/F Winning House
No. 72–76 Wing Lok Street
Sheung Wan, Hong Kong

17 April 2025

To the Optionholder

Dear Sir/Madam,

**OPTION OFFER
IN RELATION TO THE PROPOSAL FOR THE PRIVATISATION OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT OF
THE CAYMAN ISLANDS)**

A scheme document issued jointly by GRANDBLUE INVESTMENT HONGKONG LIMITED (the “**Offeror**”) and Canvest Environmental Protection Group Company Limited (the “**Company**”) dated the same date as this letter (the “**Scheme Document**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

The Offeror and the Company issued jointly the Announcement dated 22 July 2024 which stated, among others, that on 22 July 2024, the Offeror requested, subject to the satisfaction of the Pre-Conditions, the Board to put forward the Proposal to the holders of Scheme Shares for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. As stated in the Announcement, as part of the Proposal, the Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholder to cancel every outstanding Share Option, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

This letter sets out the terms of the Option Offer and explains the actions you may take in relation to your Share Option(s). You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the Share Option Scheme.

TERMS OF THE OPTION OFFER

We are making the Option Offer, which is conditional on the Scheme becoming effective, with respect to the Share Option(s) held by you.

Any Share Options granted under the Share Option Scheme that are not exercised or (if applicable) cancelled pursuant to the acceptance of the Option Offer will, with agreement, lapse upon the Scheme becoming effective.

You may accept the Option Offer by lodging a completed Form of Acceptance in respect of the Option Offer by the prescribed deadline and, if the Option Offer becomes unconditional, you will be entitled to the Option Offer Price with respect to the Shares underlying your Share Option(s). Under the Option Offer, the Offeror is offering holders of the outstanding Share Options the Option Offer Price which represents the “see-through” price (being the Cancellation Price of HK\$4.90 minus the exercise price of HK\$4.39) for each outstanding Share Option they hold for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code.

The Option Offer is conditional upon the Scheme becoming effective. The Conditions are set out in the section headed “4. Conditions of the Proposal and the Scheme” and “5. Conditions of the Option Offer” in Part VII — Explanatory Memorandum of the Scheme Document. In addition, the cheques for payments in respect of the Option Offer Price under the Option Offer will be despatched to the Optionholder no later than seven business days (as defined in the Takeovers Code) after the Effective Date.

You are further advised to refer to the sections headed “23. Registration and Payment” and “25. Taxation Advice” in Part VII — Explanatory Memorandum of the Scheme Document.

Your attention is drawn to the letter from the Independent Board Committee set out in Part V of the Scheme Document and the letter from the Independent Financial Adviser set out in Part VI of the Scheme Document, which contain the recommendation of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Proposal, the Scheme, the Rollover Arrangement, the Land Disposal, the Smart Parking Disposal, the Office Building Disposal, the EB Amendments and the Option Offer.

COURSES OF ACTION AVAILABLE TO THE OPTIONHOLDER

In summary, the choices available to you in respect of your Share Option(s) are:

- (a) if you will be a holder of the Share Option(s) as at the Record Date, you may accept the Option Offer in respect of all of your Share Option(s) in accordance with its terms, as set out in this letter and in the Scheme Document, **AND TICK THE “Accept” box on the Form of Acceptance and return it by not later than 4:30 p.m. (Hong Kong time) on Friday, 30 May 2025 (or such later time and/or date as may be notified to you through announcement(s)), to receive the Option Offer Price for the relevant Shares under your Share Option(s) if the Scheme becomes effective;**
- (b) you may reject the Option Offer in accordance with its terms, as set out in this letter and in the Scheme Document, and tick the “Reject” box on the Form of Acceptance and return it in accordance with the instructions therein. If you reject the Option Offer, you will not be entitled to receive the Option Offer Price in respect of any of your Share Options if the Scheme becomes effective. If you reject the Option Offer, and the Scheme becomes effective, your Share Options will lapse and you will receive neither the Option Offer Price nor the Cancellation Price; or
- (c) do nothing, in which case, subject to and conditional upon the Scheme becoming effective, your Share Options will lapse, and you will receive neither the Option Offer Price nor the Cancellation Price.

For further details, please refer to the remaining sections of this letter, the Scheme Document, the Form of Acceptance and the terms of the Share Option Scheme.

OUTSTANDING SHARE OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the Share Option(s) held by you as at the Latest Practicable Date is available from the Human Resources Department of the Company. If there is any exercise of your Share Option(s) after the Latest Practicable Date, you may accept the Option Offer only in respect of such Share Option(s) which remain unexercised or unvested as at the Record Date.

LAPSED SHARE OPTION

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Option which lapses, will lapse, or has already lapsed, under the terms of the Share Option Scheme.

PROFESSIONAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in doubt as to any aspect of this letter, the Scheme Document, or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

DECLARATION

By signing and returning the completed Form of Acceptance, you thereby:

- (a) warrant and confirm that each Share Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Share Option shall become void once that Share Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;
- (b) acknowledge and agree that you cease to have any rights and obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of all the Share Option(s) held by you for which you accept the Option Offer, that all rights and obligations under all such Share Option(s) will be cancelled;
- (c) confirm that you have observed and is permitted under all applicable laws and requirements to receive and accept the Option Offer and any revision thereof, and that you have obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and have paid all issue, transfer or other taxes, duties or other required payments due from you in connection with such acceptance in any jurisdiction, and that you have not taken or omitted to take any action which will or may result in the Company, the Offeror or their respective advisers, including the CITIC Securities, the Independent Financial Adviser and the share registrar, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Option Offer or your acceptance thereof and such acceptance, surrender and/or cancellation shall be valid and binding in accordance with all applicable laws and regulations;
- (d) confirm that the decisions which you have made on the Form of Acceptance cannot be withdrawn or altered;
- (e) agree, in consideration for the Option Offer, to release and waive all present and future claims, demands, actions and/or proceedings (whether contractual, statutory or otherwise and whether such claims are known or could be known or are in your contemplation at the time of signing the Form of Acceptance and to the maximum extent not prohibited by law) against any party (including the Company, the Offeror and their officers and respective advisers) arising out of or in connection with the Share Options and/or the Option Offer;

- (f) authorise the Offeror, the Company, CITIC Securities and/or such person or persons as any of them may direct to do all acts and things and to complete, amend and execute any document on your behalf as may be necessary or desirable to give effect to or in connection with the acceptance you have made on the Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance;
- (g) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any person authorised or appointed by or pursuant to this letter and the Form of Acceptance;
- (h) authorise the Company to transfer any personal data which may identify you (including, but not limited to your name, your date of birth, contact details, nationality, identity or passport number, tax residency, social security number (or equivalent), bank account details and details of your Share Options) to the Offeror and to authorise the Offeror to collect, use and process such personal data for all matters directly or indirectly connected with the implementation of the Option Offer. You agree to execute any further documents as may be required by the Company or the Offeror to give effect to such authorization; and
- (i) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including, without limitation, those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received and read the Scheme Document and this letter.

GENERAL

- (a) All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from the Optionholder will be delivered by or sent to or from them, or their designated agents, at their risk, and none of the Offeror, the Company or CITIC Securities accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.
- (c) The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to the Offeror and the Company or such person(s) as any of them may direct to complete and execute on behalf of the accepting Optionholder, the Form of Acceptance and any document and to do any other act that may be necessary or expedient for the purpose of cancelling, or vesting in the Offeror or such person(s) as the Offeror shall direct, all rights of the Optionholder in respect of the Share Option(s) which are the subject of such acceptance.

- (e) The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed, executed and received notwithstanding that it is not completed, executed or received strictly in accordance with the Forms of Acceptance and this letter, including the date specified for receipt or the absence of any witness attesting to the execution of any Form of Acceptance.
- (f) By completing the Form of Acceptance in respect of a particular Share Option, you irrevocably and at your own risk elect to authorise the Offeror, the Company and/or their respective agent(s) to send to you, or procure the sending to you of, the payment to which you are entitled.
- (g) Any acceptance of the Option Offer and the receipt of cash consideration may trigger taxes subject to withholding obligations of the Offeror and/or the Company. Cash consideration under the Option Offer may be paid to you net of such applicable taxes, if any. The Optionholder is recommended to consult their professional advisers if in any doubt as to the taxation implications of the Option Offer.

ACTIONS TO BE TAKEN FOR ACCEPTING THE OPTION OFFER

In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance together with relevant certificate(s) (if any) or any other document(s) evidencing the grant of the Share Option(s) to you or other document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Company at 28/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong and marked “Canvest Environmental Protection Group Company Limited — Option Offer” by no later than 4:30 p.m. (Hong Kong time) on Friday, 30 May 2025 (or such later time and/or date as may be notified to you through announcement(s)). If you do not complete a Form of Acceptance and the Scheme becomes effective, your Share Option(s) will lapse.

Before forwarding the Form of Acceptance to the Company, please ensure that you have duly executed the Form of Acceptance and that your signature has been witnessed.

Assuming the Option Offer will close on Friday, 30 May 2025, payment for the Option Offer Price is expected to be made no later than seven business days (as defined in the Takeovers Code) of the Effective Date (i.e. Tuesday, 10 June 2025).

No acknowledgement of receipt of any Form of Acceptance, the relevant certificate(s) (if any) or any other document(s) evidencing the grant of the Share Option(s) or other document(s) of title or entitlement (and/or any satisfactory indemnity of indemnities required in respect thereof) will be given.

RESPONSIBILITY STATEMENT

The directors of Grandblue and Grandblue Environment jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (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 this letter, the omission of which would make any statement in this letter misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

Yours faithfully,
For and on behalf of

Grandblue Investment Hongkong Limited

Wu Zhiyong
Director

Tang Yuyun
Director