



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 Yuezhao 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 Yuezhao Environmental Disposal; and (c) there is no debtor and creditor relationship between the Group and Yuezhao Environment and the Group does not assume any responsibility for the debt of Yuezhao Environment. For the avoidance of doubt, the Yuezhao 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 Yuezhao 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.

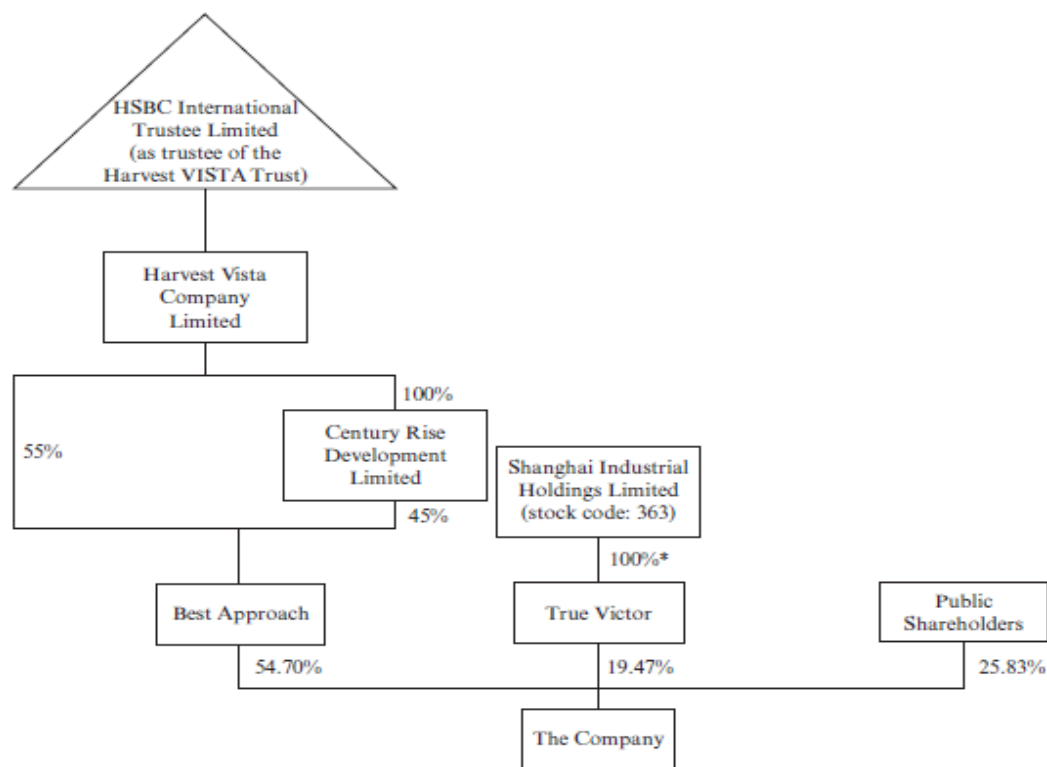
WARNINGS

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.

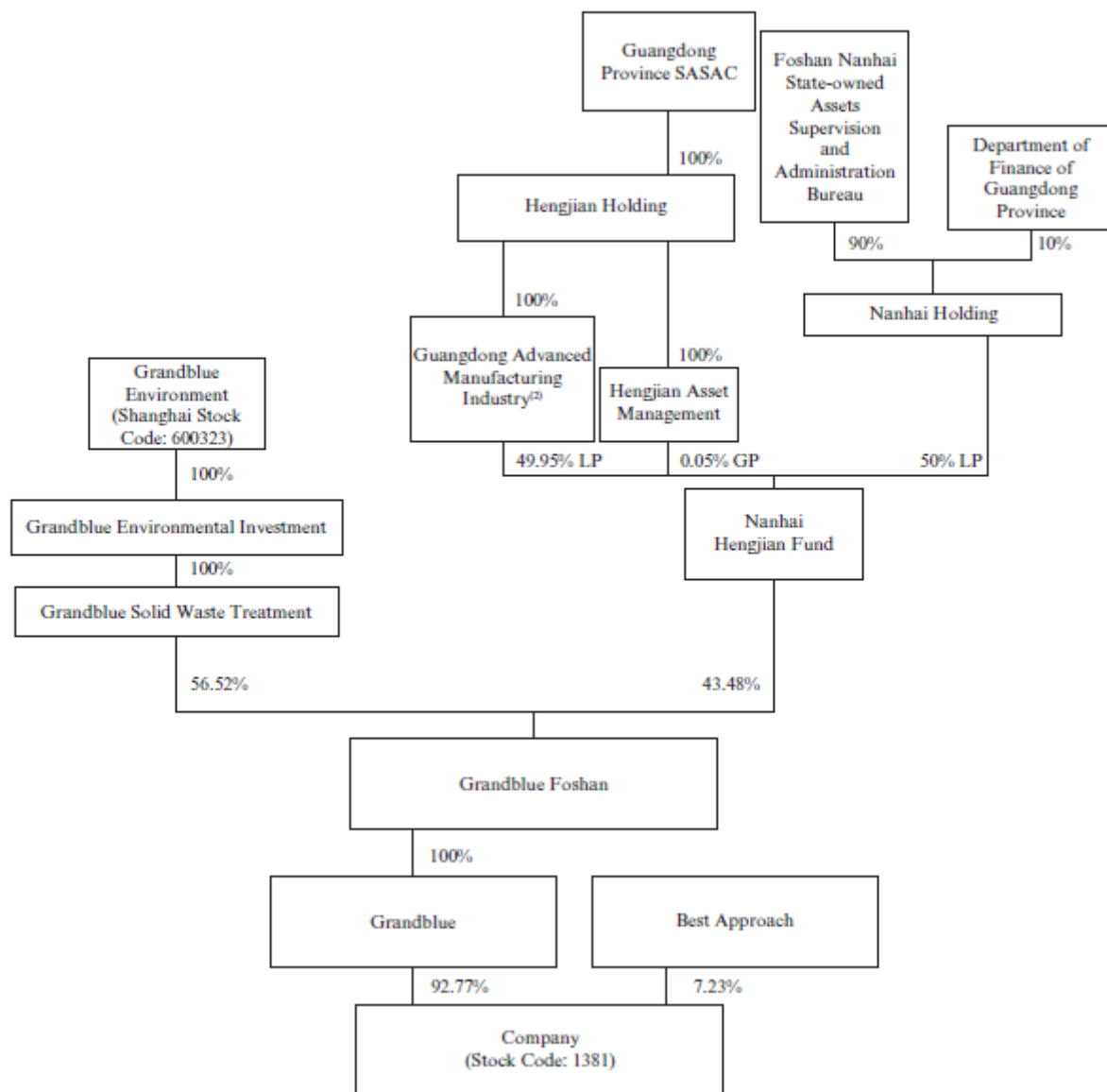
As at the Latest Practicable Date,

- (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.



- (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

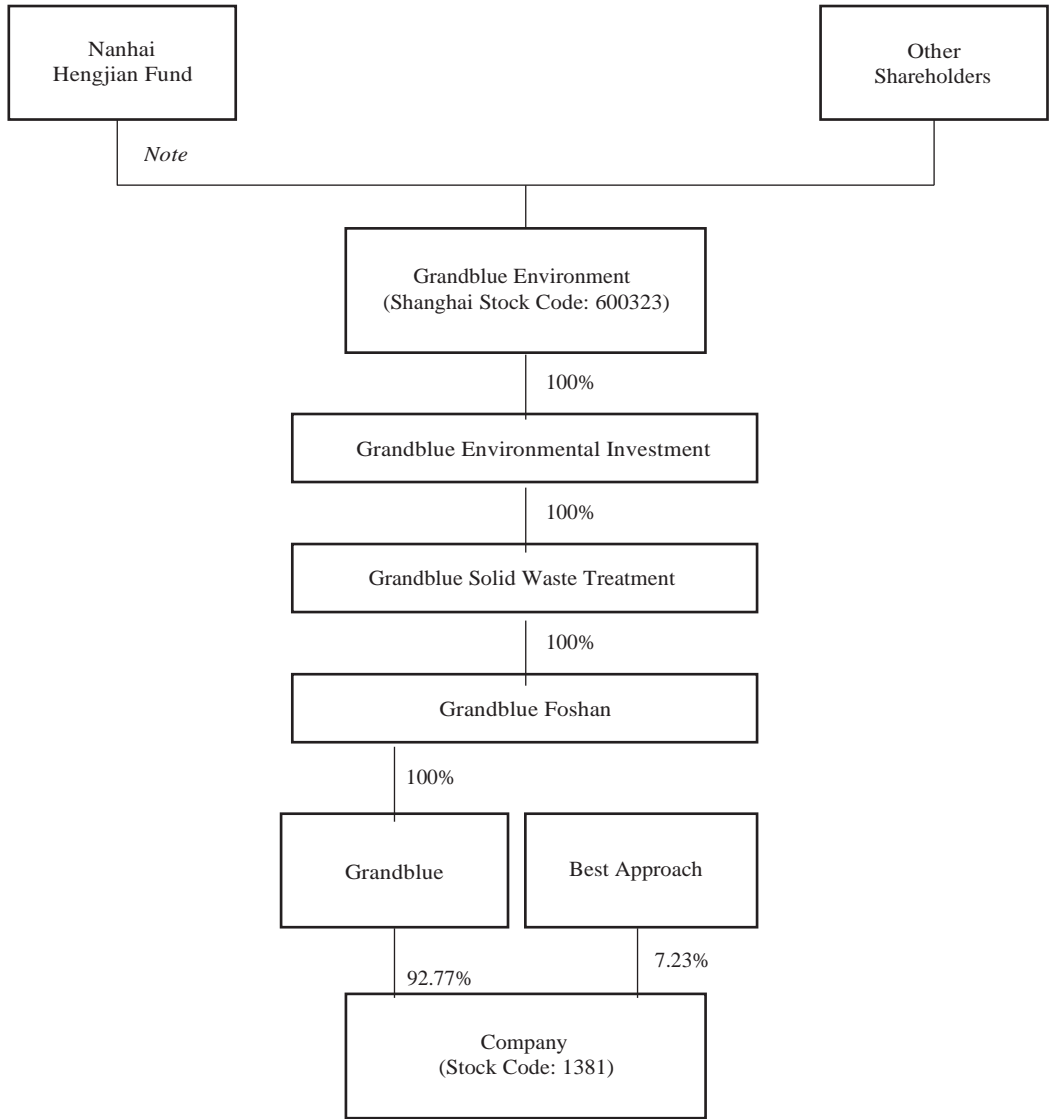
After the completion of the Proposal, subject to the fulfilment of the requirements under the PRC laws and regulations and the obtaining of the necessary approvals from the Relevant Authorities in the PRC and Grandblue Environment Shareholders, it is expected that Grandblue Environment/Grandblue Solid 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	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
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⁾	<u>10,000,000</u>	<u>0.41</u>	<u>—</u>	<u>—</u>
Subtotal	<u>1,347,241,837</u>	<u>55.18</u>	<u>2,441,541,169</u>	<u>100.00</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 ⁽⁷⁾	475,251,000	19.47	—	—
Other Scheme Shareholders	<u>618,261,332</u>	<u>25.32</u>	<u>—</u>	<u>—</u>
Total number of Shares	<u>2,441,541,169</u>	<u>100.00</u>	<u>2,441,541,169</u>	<u>100.00</u>

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 <i>HKD'000</i> (audited)	For the year ended 31 December 2024 <i>HKD'000</i> (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 Yuezhao Environmental Disposal will be completed within three months after the date of the Announcement and the Group will not record loss from the Yuezhao Environmental Disposal. The Yuezhao Environmental Disposal, which is a pre-condition to the making of the Proposal, was fulfilled on 18 October 2024. With reference to the Yuezhao Environmental Disposal, Canvest Yuezhao 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 (“Yuezhao 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 Yuezhao Environmental Investment conditionally agreed to sell and Dongguan Tianning conditionally agreed to purchase, the entire equity interests in Yuezhao Environmental for a total consideration of approximately RMB130.4 million. The consideration was determined with reference to the net asset value of Yuezhao 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 Yuezhao Environmental Disposal are less than 5%, the Yuezhao 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. B1, Q23

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

A handwritten signature in black ink, appearing to be 'Wong Ling Fong Lisa', written in a cursive style.

Wong Ling Fong Lisa
Company Secretary