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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Denox Environmental & Technology Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED****迪諾斯環保科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

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

**Independent Financial Adviser to
The Independent Board Committees and the Independent Shareholders**



Capitalised terms used in this cover page have the same meanings as defined in this circular unless otherwise provided.

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Connected Transaction IBC is set out on pages 20 to 21 of this circular. A letter from the Whitewash Waiver IBC is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 24 to 51 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong on 5 January 2024, Friday at 10:30 a.m. is set out on pages 70 to 71 of this circular.

Whether you are able to attend the extraordinary general meeting or not, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harbour Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof (as the case may be) should you so wish.

15 December 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code;
“Announcement”	the announcement of the Company dated 6 November 2023 in relation to, among other things, the Share Subscription and the Whitewash Waiver;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday in Hong Kong or the PRC) on which licensed banks in Hong Kong and PRC are generally open for business throughout their normal business hours and the Stock Exchange is open for the transaction of business;
“Company”	Denox Environmental & Technology Holdings Limited (迪諾斯環保科技控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares of which are listed on the Stock Exchange;
“Completion”	the completion of the Share Subscription pursuant to the terms and conditions of the Share Subscription Agreement;
“Completion Date”	the date on which the Completion takes place pursuant to the terms and conditions of the Share Subscription Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Connected Transaction IBC”	an independent committee of the Board comprising all the independent non-executive Directors who do not have a material interest in the Share Subscription (namely Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Mr. Li Min) and established pursuant to the requirements of the Listing Rules to advise the Independent Shareholders on the Share Subscription (including the grant of the Specific Mandate);
“Director”	director(s) of the Company;

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“EGM”	the extraordinary general meeting of the Company to be convened at 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong on 5 January 2024, Friday at 10:30 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, approving, among other things, the Share Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s);
“Financial Lease Agreement”	the financial lease agreement dated 25 October 2023 and entered into between Beijing Denox Environmental & Technology Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and Maxwealth Financial Leasing Co., Ltd (an indirect wholly-owned subsidiary of Bank of Ningbo Co., Ltd);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committees”	collectively, the Connected Transaction IBC and the Whitewash Waiver IBC;
“Independent Financial Adviser”	Red Solar Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the terms of the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendation as to voting;
“Independent Shareholders”	Shareholders other than (i) the Subscriber, Ms. Zhao Shu, its associates, and any parties acting in concert with the Subscriber or Ms. Zhao Shu; and (ii) all other Shareholders who are interested or involved in the Share Subscription and/or the Whitewash Waiver (if any);

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“Latest Practicable Date”	12 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ms. Zhao Shu”	Ms. Zhao Shu, executive Director of the Company;
“NO _x ”	a generic term for mono-nitrogen oxides (nitric oxide and nitrogen dioxide);
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this Circular;
“Relevant Period”	the period commencing on the date falling six months immediately preceding the Announcement (i.e. 6 May 2023) and ending on the Latest Practicable Date;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFC”	Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholders”	holder(s) of the Share(s);
“Share Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Share Subscription Agreement;
“Share Subscription Agreement”	the conditional subscription agreement dated 6 November 2023 and entered into between the Company and the Subscriber in relation to the Share Subscription;
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Subscription Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subscriber”	Advant Performance Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Ms. Zhao Shu. As at the Latest Practicable Date, the Subscriber directly holds approximately 30.98% of the issued shares of the Company and is a substantial Shareholder of the Company, hence a connected person of the Company;
“Subscription Price”	HK\$0.048 per Subscription Share;
“Subscription Shares”	98,807,400 new Shares to be issued by the Company to the Subscriber pursuant to the Share Subscription Agreement;
“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Takeovers Code”	The Code on Takeovers and Mergers (as amended, modified and supplemented from time to time);
“Whitewash Waiver”	the whitewash waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber, Ms. Zhao Shu and parties acting in concert with any of them) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Share Subscription Agreement;
“Whitewash Waiver IBC”	an independent committee of the Board comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Share Subscription and the Whitewash Waiver (namely Mr. Li Xingwu, Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Mr. Li Min) and established pursuant to the requirements of the Takeovers Code to provide recommendations to the Independent Shareholders on the Share Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; and
“%”	per cent.

LETTER FROM THE BOARD



DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED
迪諾斯環保科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1452)

Executive Directors:

Ms. ZHAO Shu (*Chairlady*)
Mr. LI Ke

Non-executive Director:

Mr. LI Xingwu

Independent Non-executive Directors:

Ms. CHAN Yeuk Wa
Mr. LI Min
Mr. ONG Chor Wei

Registered office:

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

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Principal place of business in the PRC:

Room 1506-1, 12th Floor Block 2,
No. 128 Western South Fourth Ring Road,
Fengtai District
Beijing 100070, PRC

15 December 2023

To the Shareholders:

Dear Sir/Madam,

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

1. INTRODUCTION

Reference is made to the Announcement. On 6 November 2023 (after trading hours), the Company and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 98,807,400 Subscription Shares at the Subscription Price of HK\$0.048 per Subscription Share for a total consideration of HK\$4,742,755.2 in cash.

LETTER FROM THE BOARD

This circular sets out, among other things, (i) details of the Share Subscription Agreement (including the Specific Mandate); (ii) the Whitewash Waiver; (iii) recommendation of the Independent Board Committees to the Independent Shareholders; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in relation to the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver; and (v) a notice of the EGM.

2. THE SHARE SUBSCRIPTION

Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are set out below:

Date	6 November 2023
Parties	(a) the Company (as issuer) (b) the Subscriber (as subscriber)
Total Share Subscription consideration	HK\$4,742,755.2
Subscription price per Subscription Share	HK\$0.048
Par Value of Subscription Shares	Ordinary shares of the Company with a par value of US\$0.01 each

The Subscription Shares

98,807,400 Shares will be issued at the Subscription Price per Subscription Share under the Share Subscription, which represents:

- (a) approximately 20.00% of the existing issued share capital of the Company as at the date of the Announcement; and
- (b) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Share Subscription.

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

Ranking

The Subscription Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with the Shares in issue.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price of HK\$0.048 per Subscription Share represents:

- (a) a discount of approximately 4.00% to the closing price of HK\$0.0500 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;
- (b) a premium of approximately 2.56% to the average closing price of HK\$0.0468 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement;
- (c) a discount of approximately 10.95% to the average closing price of HK\$0.0539 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Share Subscription Agreement;
- (d) a discount of approximately 16.96% to the average closing price of HK\$0.0578 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to the date of the Share Subscription Agreement;
- (e) a discount of approximately 88.77% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.4275 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB188,675,000 as at 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 2022 and 494,037,000 Shares then in issue (based on the exchange rate of HK\$1: RMB0.89327 as at 30 December 2022 published by the State Administration of Foreign Exchange for illustration purposes); and
- (f) a discount of approximately 87.91% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.3970 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB180,853,000 as at 30 June 2023 as extracted from the interim results announcement of the Company for the six months ended 30 June 2023 and 494,037,000 Shares then in issue (based on the exchange rate of HK\$1: RMB0.92198 as at 30 June 2023 published by the State Administration of Foreign Exchange for illustration purposes).

Based on the closing price of HK\$0.0500 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement and the average closing price of HK\$0.0468 per the Shares for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement, the theoretical diluted price is approximately HK\$0.0497 per Share and the theoretical value dilution in respect of the Share Subscription is approximately 0.6%.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber taking into account the following:

- (i) the recent and historical market prices of the Shares;

LETTER FROM THE BOARD

- (ii) the net asset value of the Group;
- (iii) the business prospects and financial position of the Group. While the national economy has continued to recover, the major indicators have continued to improve and the overall economic operation has been stable, there are still many external unstable and uncertain factors, for example domestic demand is still insufficient, and the foundation for economic recovery still needs to be consolidated. Specifically for the Group, the unaudited loss of the Group increased by approximately 16.7% to RMB9.8 million for the six months ended 30 June 2023, as compared to RMB8.4 million for the corresponding period in 2022, primarily attributable to the increase in selling and marketing expenses as a result of the increase in sales personnel, remuneration and related expenses and marketing costs, although the gross profit of the Group has increased in the same period; and
- (iv) the current equity capital market conditions. Due to the poor market sentiment as a result of the increased interest rates and global economic downturn, the trading liquidity of the Shares remained low. The average daily trading volume was only approximately 31,636 Shares as quoted on the Stock Exchange for the period from 5 October 2023 to 6 November 2023 (both days inclusive), being the last full trading day immediately preceding the release of the Announcement, which represented less than 0.01% of the total number of issued Shares of the Company during that period.

The Subscription Price represents a discount of approximately 87.91% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023. Given that (i) during the period from 7 September 2023 (about two months prior to the last full trading day immediately preceding the release of the Announcement) up to 6 November 2023, the closing price of the Shares as quoted on the Stock Exchange have been consistently at a substantial discount to the net asset value per Share, ranging from approximately 86.48% to 89.05%; (ii) the recent market price of the Shares reflects the market sentiment and low trading liquidity due to the current equity capital market conditions; (iii) the Subscription Price represents a premium of approximately 2.56% to the average closing price of HK\$0.0468 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement; and (iv) taking into account the business prospects and financial position of the Group, including the external unstable and uncertain factors as noted above, the Directors consider that it is fair and reasonable to make reference to the recent market price of the Share, which reflect the fair market value of the Shares traded on the Stock Exchange, rather than the net asset value per Share in determining the Subscription Price, and that the discount of the Subscription Price to the net asset value per Share is justifiable.

The Subscriber intends to finance the cash required for the Share Subscription through internal resources.

LETTER FROM THE BOARD

Further information on the Share Subscription

The Subscriber undertakes to and covenants with the Company that it shall not, in the period commencing on the Completion Date and ending on the date which is three months from the Completion Date, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

Conditions precedent

Completion of the Share Subscription is conditional upon satisfaction or (if applicable) waiver of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares and such approval and permission remaining in full force and effect;
- (b) the approval by (i) more than 50% of the votes cast by the Independent Shareholders at the EGM in respect of the Share Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate and (ii) at least 75% of the votes cast by the Independent Shareholders at the EGM in respect of the Whitewash Waiver;
- (c) the granting of the Whitewash Waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a mandatory general offer for all the Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and its concert parties) as a result of the allotment and issue of Shares pursuant to the Share Subscription, and the Whitewash Waiver remaining in full force and effect;
- (d) the representations and warranties given by the Company under the Share Subscription Agreement remaining true, complete and accurate in all material respects and not misleading as at the Completion Date;
- (e) the representations and warranties given by the Subscriber under the Share Subscription Agreement remaining true, complete and accurate in all material respects and not misleading as at the Completion Date;
- (f) no regulatory authority having implemented or enacted any legislation, regulations or decrees to prohibit the Share Subscription, and no courts with competent jurisdiction having issued any order or injunction prohibiting or preventing the Share Subscription; and
- (g) the compliance of any other requirements imposed by the Stock Exchange and/or the SFC in relation to the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription) and the allotment and issue of the Subscription Shares, whether under the Listing Rules, the Takeovers Code or otherwise.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company is not aware of such requirement under condition (g) above. As at the Latest Practicable Date, the Company does not intend to declare, pay and/or make any dividend or other distribution between the date of the Announcement up to the Completion Date. As at the Latest Practicable Date, the Company does not have any declared but unpaid dividend or other distribution.

The Subscriber shall be entitled to waive any of the conditions as set out in paragraph (d) above. The Company shall be entitled to waive any of the condition as set out in paragraph (e) above. The conditions as set out in paragraphs (a) to (c), (f) and (g) are non-waivable. As at the Latest Practicable Date, none of the conditions as set out above has been satisfied or (if applicable) waived.

In the event Completion does not take place on or before the date which is six months after the date of the Share Subscription Agreement i.e. 5 May 2024 (or such other time and date as may be agreed by the Company and the Subscriber in writing), the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription) shall terminate and lapse, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have claim against the other, save for any rights and obligations accrued prior to such termination.

Completion of the Share Subscription

Completion of the Share Subscription shall take place within 10 Business Days (or such other date and time as may be agreed by the Company and the Subscriber) upon the satisfaction or (if applicable) waiver of the conditions under the Share Subscription Agreement, upon which the Company shall allot and issue the Subscription Shares to the Subscriber and the Subscriber shall pay to the Company the total consideration for the Subscription Shares.

Termination of the Share Subscription Agreement

The Share Subscription Agreement may be terminated:

- (a) by the non-defaulting party, if a party failed to satisfy the completion deliverables on or before the date which is six months after the date of the Share Subscription Agreement (i.e. 5 May 2024);
- (b) in the manner as described in the paragraph “Conditions Precedent” in this circular; and
- (c) upon agreement in writing between the parties.

Information of the Company

The Group is principally engaged in design, development, manufacture and sales of plate-type, honeycomb and coating DeNOx catalysts in the PRC.

LETTER FROM THE BOARD

Information of the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability, and is principally engaged in investment holding of shares of the Company. As at the Latest Practicable Date, the Subscriber directly holds approximately 30.98% of the issued shares of the Company and is a substantial Shareholder of the Company, and is therefore a connected person of the Company. As at the Latest Practicable Date, the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting in concert with any of them directly and indirectly holds an aggregate of 180,606,560 Shares, representing approximately 36.56% of the issued share capital of the Company. As at the Latest Practicable Date, the Subscriber is wholly-owned by Ms. Zhao.

Information of Ms. Zhao Shu

Ms. Zhao Shu is an executive Director of the Company since 7 November 2014. She is primarily responsible for the overall management of the Group. Ms. Zhao is the chairlady of the Board, the chief executive officer and authorised representative of the Company, the chairlady of the nomination committee and a member of the remuneration committee. Ms. Zhao is also the general manager of Beijing Denox Environmental & Technology Co., Ltd and Gu'an Denox Environmental Equipment Manufacturing Co., Ltd., both of which are wholly-owned subsidiaries of the Company.

3. REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION AND USE OF PROCEEDS

The Share Subscription demonstrates the Subscriber's confidence in, and commitment to, the Company's long-term development and growth prospect, and will further strengthen the Company's capital base by raising additional funds for the Group.

The Company is an investment holding company with its principal subsidiaries engaged in the design, development, manufacture and sales of DeNOx catalysts in the PRC. After the end of the COVID-19 pandemic, the Company intends to continue to strengthen the expansion of overseas market and the research and development for new products, including expanding its sales area, develop overseas markets, and establish a strong sales network. The Share Subscription will provide further financial support for the Company to establish overseas presence. In respect of the development of new products, the Company expects that coated products can improve the competitiveness of the Company's products in the market. The Company has around 20 management and research and development personnel who has relevant experience in developing coated products for vehicles. Also, Mr. Li Ke has been responsible for the research and development of vehicle coating products since 2018 when the Company started supplying vehicle coating catalyst products. The Company's management and core technical personnel therefore have experience in vehicle exhaust treatment system coating catalyst products. On that basis, the Company expects to further leverage on the relevant experience in developing coated products for other uses.

LETTER FROM THE BOARD

Overall, the Share Subscription will help the Company increase its business scale and realize its growth potential and long-term competitiveness. The Directors consider that the net proceeds from the Share Subscription, which will be utilised to support the plans for overseas expansion and the development of coated products and to supplement the general working capital, could alleviate the funding pressure of the Group and generally improve the financial position of the Group, in particular, taking into account the risk and uncertainty that may be involved in overseas expansion and development of new products, and at the same time the need to preserve sufficient funds for the increasing working capital needs of the Group in the ordinary course. Further, as of 30 June 2023, the assets-liabilities ratio (i.e. total liabilities/total assets) of the Company is approximately 46.52%. The Company believes that the Share Subscription can optimize the capital structure and reduce the financial risk of the Company by broadening the capital reserve channels of the Company.

The Company has also considered alternative fundraising methods including bank borrowing and equity fund-raising. In respect of bank borrowing, given that the Company recorded net loss for the recent financial years, it is practically difficult for the Company to obtain external third party financing without providing security, or if security is required to be provided by the Group, the commercial terms are relatively less favourable to the Group as a whole. Accordingly, the Company did not pursue the aforesaid third party financing arrangements. In respect of equity financing, the Company has approached a few investors for their participation in fund-raising activities of the Company, but all such investors declined the the Company's proposals primarily as they are unsatisfied with the loss making positions of the Group for the FY2021, FY2022 and 6M2023.

The maximum gross proceeds from the Share Subscription will be approximately HK\$4,742,755.2. The maximum net proceeds (after deducting placing commission and other relevant costs and expenses) from the Share Subscription will be approximately HK\$3,362,755.2 and the net subscription price of each Subscription Share will be approximately HK\$0.034.

The net proceeds from the Share Subscription are intended to be used as to (i) approximately 30% of the net proceeds (being approximately HK\$1,008,826.6) for the development of coated products, which is expected to be utilized during first half of 2024; (ii) approximately 50% of the net proceeds (being approximately HK\$1,681,377.6) for the expansion of overseas markets, including in the Italian Republic, Republic of India and the USA by setting up branches and employing local staff therein, which is expected to be utilized during the first half of 2024; and (iii) approximately 20% of the net proceeds (being approximately HK\$672,551.0) for general working capital, including employee remuneration and material costs, which is expected to be utilized during the first half of 2024.

Based on the aforesaid, the Directors (other than the Independent Board Committees whose views are set forth in the "Letter from the Connected Transaction IBC" and the "Letter from the Whitewash Waiver IBC" after taking into consideration advice from the Independent Financial Adviser), are of the view that the Share Subscription is fair and reasonable, on normal commercial terms and is in the interests of the Company and its Shareholders (including the Independent Shareholders) as a whole.

LETTER FROM THE BOARD

4. FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends to continue with the existing principal businesses of the Group. The Subscriber also intends to maintain the listing of the Shares on the Stock Exchange following the Completion.

As mentioned above, the Share Subscription demonstrates the Subscriber's confidence in, and commitment to, the Company's long-term development and growth prospect, and will further strengthen the Company's capital base by raising additional funds for the Group.

The Subscriber has no intentions to (i) discontinue the business of the Company, (ii) introduce any major changes in the business, including any redeployment of the fixed assets of the Company and (iii) discontinue the employment of the employees of the Company and of its subsidiaries as at the Latest Practicable Date.

5. FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company had not conducted any fund-raising activities involving the issue of its equity securities in the twelve months immediately preceding the date of the Share Subscription Agreement and the Announcement.

LETTER FROM THE BOARD

6. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after completion of the Share Subscription, assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date to the Completion Date, are set out below:

Shareholders	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Subscriber, Ms. Zhao Shu and parties acting, or presumed to be acting, in concert with any of them				
The Subscriber (<i>Note 1</i>)	153,031,609	30.98%	251,839,009	42.48%
Ms. Zhao Shu	24,612,477	4.98%	24,612,477	4.15%
Fine Treasure Asia Holdings Limited (<i>Note 3</i>)	2,962,474	0.60%	2,962,474	0.50%
Subtotal	180,606,560	36.56%	279,413,960	47.13%
Other Non-public Shareholder (<i>Note 4</i>)				
EEC Technology Limited (<i>Note 2</i>)	51,075,015	10.34%	51,075,015	8.62%
Subtotal	51,075,015	10.34%	51,075,015	8.62%
Public Shareholders	262,355,425	53.10%	262,355,425	44.25%
Total	494,037,000	100.00%	592,844,400	100.00%

Notes:

- (1) The Subscriber is wholly owned by Ms. Zhao Shu.
- (2) EEC Technology Limited is wholly owned by Mr. Li Xingwu.
- (3) Fine Treasure Asia Holdings Limited is wholly owned by Mr. Li Ke, who is presumed to be acting in concert with Ms. Zhao Shu under the Class (6) presumption of the definition of “acting in concert” under the Takeovers Code.
- (4) Save as disclosed, none of the Directors hold shares in the Company.
- (5) The percentage figures as set out above are subject to rounding adjustments.

LETTER FROM THE BOARD

As at the Latest Practicable Date, other than the 494,037,000 Shares in issue, the Company has no other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

7. APPLICATION FOR LISTING

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

8. TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them hold 180,606,560 Shares, representing approximately 36.56% of the issued share capital of the Company. Upon completion of the Share Subscription, the shareholding of the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them will increase to approximately 47.13% of the issued share capital of the Company.

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

An application has been made by the Subscriber to the Executive for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber, Ms. Zhao Shu and parties acting in concert with any of them) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to the Subscriber. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription, respectively, at the EGM. Save for Ms. Zhao Shu, none of the other Directors are involved in the discussion or negotiation of the Subscription.

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

The Executive has indicated that it is minded, subject to approval by the Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Share Subscription.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not believe that the Share Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Share Subscription does not comply with other applicable rules and regulations.

9. LISTING RULES IMPLICATIONS

As described in the section headed “Information of the Subscriber” in this circular, the Subscriber directly holds approximately 30.98% of the issued shares of the Company and is a substantial Shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and will be subject to announcement, reporting and the Independent Shareholders’ approval requirements.

10. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Subscription, namely Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Mr. Li Min) has been formed to advise the Independent Shareholders as to whether the Share Subscription is on normal commercial terms or better and in the ordinary and usual course of business of the Group and make recommendation as to voting.

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

Red Solar Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription), the grant of the Specific Mandate and the Whitewash Waiver are fair and reasonable and to make recommendation as to voting.

11. GENERAL

The EGM will be convened to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Share Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate); and (ii) the Whitewash Waiver.

LETTER FROM THE BOARD

Resolutions approving the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver will be proposed at the EGM to be approved by the Independent Shareholders. The Whitewash Waiver will be proposed by way of a resolution to be passed by at least 75%, and the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) will be proposed by way of resolution(s) to be passed by more than 50%, of the votes cast by the Independent Shareholders that are cast either in person or by proxy, respectively, at the EGM. The voting at the EGM will be conducted by way of poll.

The Subscriber, Ms. Zhao Shu and the parties acting in concert with any of them, Fine Treasure Asia Holdings Limited, and all other Shareholders who are interested or involved in the Share Subscription and/or the Whitewash Waiver (if any) are required to abstain from voting on the resolutions approving the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver at the EGM.

Save as disclosed above and in the sections headed “Effects on Shareholding Structure of the Company” and “Letter from the Board” in this circular, as at the Latest Practicable Date, no other Shareholder had any material interest in the Share Subscription and the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Share Subscription and the Whitewash Waiver.

A notice convening the EGM to be held at 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong on 5 January 2024, Friday at 10:30 a.m. is set out on pages 70 to 71 of this circular.

A form of proxy for use at the EGM is also enclosed in this circular. Such form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.china-denox.com). Whether you intend to attend the EGM or not, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited (the “**Branch Registrar**”) at 17/ F., Far East Finance Centre, 16 Harbour Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish and in such event, the form of proxy shall be deemed to be revoked.

12. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 2 January 2024 to Friday, 5 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Branch Registrar for registration no later than 4:30 p.m. on Friday, 29 December 2023.

LETTER FROM THE BOARD

13. RECOMMENDATION

Your attention is drawn to: (i) the letter from the Connected Transaction IBC set out on pages 20 to 21 of this circular and (ii) the letter from the Whitewash Waiver IBC is set out on pages 22 to 23 of this circular, containing its recommendation to the Independent Shareholders in respect of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver and (iii) the letter from the Independent Financial Adviser set out on pages 24 to 51 of this circular, containing its advice to the Independent Board Committees and the Independent Shareholders in respect of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver.

The Directors (including the members of the Connected Transaction IBC and Whitewash Waiver IBC, whose views are set out in the letter from the Connected Transaction IBC and letter from the Whitewash Waiver IBC, respectively) consider that the terms and conditions of the Share Subscription Agreement (including the Subscription Price) and the Whitewash Waiver are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

As Ms. Zhao is or may be regarded as having a material interest in the Share Subscription and the Whitewash Waiver, Ms. Zhao has therefore abstained from voting on the board resolutions of the Company for approving the Share Subscription and the Whitewash Waiver. Save as disclosed above, none of the Directors had a material interest in the Share Subscription and the Whitewash Waiver and no Director has abstained from voting on the relevant resolutions of the Board.

14. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Since Completion is subject to the fulfilment or waiver (as applicable) of the conditions as set out in the Share Subscription Agreement, the Share Subscription may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription and the grant of the Specific Mandate, respectively, at the EGM. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

LETTER FROM THE BOARD

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

By order of the Board
Denox Environmental & Technology Holdings Limited
Zhao Shu
Chairlady

LETTER FROM THE CONNECTED TRANSACTION IBC

The following is the full text of the letter from the Connected Transaction IBC to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED **迪諾斯環保科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

15 December 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 15 December 2023 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Connected Transaction IBC to advise the Independent Shareholders as to whether the terms of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM.

Red Solar Capital Limited has been appointed to act as the Independent Financial Adviser with our approval to advise the Connected Transaction IBC and the Independent Shareholders in respect of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate). The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 24 to 51 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular. Having considered the terms of the Share Subscription and the advice from the Independent Financial Adviser, we consider that the Share Subscription (including the Share

LETTER FROM THE CONNECTED TRANSACTION IBC

Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) to be proposed at the EGM.

Yours faithfully,
For an on behalf of the
Connected Transaction IBC

Ms. Chan Yeuk Wa
*Independent non-executive
Director*

Mr. Ong Chor Wei
*Independent non-executive
Director*

Mr. Li Min
*Independent non-executive
Director*

LETTER FROM THE WHITEWASH WAIVER IBC

The following is the full text of the letter from the Whitewash Waiver IBC to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED

迪諾斯環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

15 December 2023

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;

AND

(2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 15 December 2023 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Whitewash Waiver IBC under the Takeovers Code to advise the Independent Shareholders as to whether the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM.

Red Solar Capital Limited has been appointed to act as the Independent Financial Adviser with our approval to advise the Whitewash Waiver IBC and the Independent Shareholders in respect of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 24 to 51 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular. Having considered the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver and the advice from the Independent Financial Adviser, we consider that the Share Subscription (including

LETTER FROM THE WHITEWASH WAIVER IBC

the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For an on behalf of the
Whitewash Waiver IBC

Mr. Li Xingwu
Non-executive Director

Ms. Chan Yeuk Wa
*Independent non-
executive Director*

Mr. Ong Chor Wei
*Independent non-
executive Director*

Mr. Li Min
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders, in respect of the Transactions for the purpose of inclusion in this Circular.



Unit 402B, 4/F
China Insurance Group Building
No.141 Des Voeux Road Central
Central, Hong Kong

15 December 2023

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

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the entering into of the (i) Share Subscription Agreement and the transactions contemplated thereunder; (ii) grant of the Specific Mandate; and (iii) Whitewash Waiver (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 December 2023 (the “**Circular**”), of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

Reference is made to the announcement of the Company dated 6 November 2023 in relation to, among other things, the Share Subscription Agreement and the transactions contemplated thereunder, Specific Mandate and Whitewash Waiver (the “**Announcement**”). On 6 November 2023 (after trading hours), the Company and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 98,807,400 Subscription Shares, representing approximately 20.00% of the issued share capital of the Company as at the date of the Announcement or approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Share Subscription, at the Subscription Price of HK\$0.048 per Subscription Share for a total consideration of HK\$4,742,755.20 in cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Takeovers Code implications and application for Whitewash Waiver

As set out in the Letter from the Board, as at the Latest Practicable Date, the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them hold an aggregate of 180,606,560 Shares, representing approximately 36.56% of the issued share capital of the Company. Upon completion of the Share Subscription, assuming that there is no other change in the issue share capital of the Company between the Latest Practicable Date and the date of completion (save and except for the Share Subscription), the shareholding of the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them will increase to approximately 47.13% of the issued share capital of the Company as enlarged by the Subscription Shares.

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

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

Listing Rules implications

As set out in the Letter from the Board, the Subscriber directly holds approximately 30.98% of the issued shares of the Company and is a substantial Shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and will be subject to announcement, reporting and the Independent Shareholders' approval requirements.

EGM AND VOTING AT THE EGM

As set out in the Letter from the Board, the EGM will be convened to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Share Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate); and (ii) the Whitewash Waiver.

Resolutions approving the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver will be proposed at the EGM to be approved by the Independent Shareholders. The Whitewash Waiver will be proposed by way of a resolution to be passed by at least 75%, and the Share Subscription (including the Share Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate) will be proposed by way of resolution(s) to be passed by more than 50%, of the votes cast by the Independent Shareholders that are cast either in person or by proxy, respectively, at the EGM. The voting at the EGM will be conducted by way of poll.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Subscription, namely Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Mr. Li Min) has been formed to advise the Independent Shareholders as to whether the Share Subscription is on normal commercial terms or better, in the ordinary and usual course of business of the Group, and fair and reasonable and make recommendation as to voting.

As further set out in the Letter from the Board, pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Share Subscription and the Whitewash Waiver, namely Mr. Li Xingwu, Ms. Chan Yeuk Wa, Mr. Ong Chor Wei and Mr. Li Min) has also been formed to advise the Independent Shareholders as to whether the Share Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting.

We, Red Solar Capital Limited, have been appointed with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription and grant of the Specific Mandate) and the Whitewash Waiver are on normal commercial terms or better, in the ordinary and usual course of business of the Group and fair and reasonable and make recommendation on voting.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Transactions, or parties acting in concert with any of them and us. As at the Latest Practicable Date, (i) we did not have any relationship with, or interest in, the Group, the other party(ies) to the Transactions, or parties acting in concert with any of them that could reasonably be regarded as relevant to our independence; (ii) we were not in the same group as the financial or other professional adviser to the Group, the other party(ies) to the Transactions, or parties acting in concert with any of them; (iii) we did not have a significant connection, financial or otherwise, with either the Group, the other party(ies) to the Transactions, or parties acting in concert with any of them, within the two years prior to the date of the Announcement, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice under the Takeovers Code. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committees and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed the documents including but not limited to (i) the Share Subscription Agreement; (ii) the Announcement; (iii) the Circular and the Letter from the Board contained therein; (iv) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (v) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (vi) the unaudited consolidated management accounts of the Company for the six months ended or as at 30 June 2023; (vii) the unaudited management accounts of each of the Company and its principal subsidiaries, including Beijing Denox Environmental & Technology Co., Ltd, Gu’an Denox Environmental Equipment Manufacturing Co., Ltd, and Denox Environmental & Technology (HK) Investments Co., Limited, from 1 July to 31 October 2023 (both date inclusive), being the latest practicable date up to which the unaudited management accounts of each of the Company and its aforesaid principal subsidiaries have been prepared, and (viii) the relevant supporting documents in respect of the Transactions provided by the Company, including but not limited to historical documents and records, to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group, for which they are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. Should there be any material changes to such information in the Circular after the Latest Practicable Date, the Company will inform the Shareholders as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted independent desktop search and confirmed that there was no material difference between our search result and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. The Directors and the management of the Group confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representation provided to us were untrue, inaccurate or misleading. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for this Circular which includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, also confirmed that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading. The Directors also jointly and severally accepted full responsibility for the accuracy of the information contained in this Circular and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any of the statements in this Circular misleading. The sole director of the Subscriber also accepted full responsibility for the accuracy of the information contained in this Circular (other than that relating to the Group) and confirmed, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued to the Independent Board Committees and the Independent Shareholders solely for their consideration of the Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background of and reasons for the Transactions

(i) *Background information of the Group*

The Company is a limited liability company incorporated in the Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1452). The Company is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of plate-type, honey-comb and coating DeNOx catalysts in the PRC. As set out in the 2022 Annual Report and 2023 Interim Report, DeNOx catalyst is a kind of chemical substance which is the core component of SCR (Selective Catalytic Reduction), and acts by producing the chemical reaction to convert NOx (nitrogen oxides) into N₂ (molecular nitrogen) and H₂O (water), and is primarily for industrial uses in, for example only, thermal power, metallurgy, coking, cement, gas turbine, waste-to-energy and petrochemical industries, and in the fields of diesel-powered vehicles and natural gas-powered vehicles, for the primary purpose of reducing the NOx concentration in industrial flue gas emissions.

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The following tables set out key financial information of the Group for each of the two years ended 31 December 2022 (the “FY2021” and “FY2022”, respectively) as extracted from the 2022 Annual Report, and for the six months ended 30 June 2022 and 2023, respectively (the “6M2022” and “6M2023”, respectively), as extracted from the 2023 Interim Report:

	For the 6M2023	For the 6M2022	For the FY2022	For the FY2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	52,289	34,844	62,791	71,460
Gross profit	9,628	6,401	13,390	12,223
Loss for the period/year	(9,782)	(8,440)	(23,531)	(19,453)

	As at 30 June 2022	As at 31 December 2022	As at 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	338,145	314,399	325,787
Total liabilities	157,292	125,724	118,266
Net assets	180,853	188,675	207,521

Discussion on the Group's performance between FY2021 and FY2022

The Group's revenue decreased by approximately RMB8.67 million, or approximately 12.13%, from approximately RMB71.46 million for the FY2021 to approximately RMB62.79 million for the FY2022. The Group's gross profit increased by approximately RMB1.17 million, or approximately 9.55%, from approximately RMB12.22 million for the FY2021 to approximately RMB13.39 million for the FY2022. The Group's net loss intensified by approximately 20.96% from approximately RMB19.45 million for the FY2021 to approximately RMB23.53 million for the FY2022.

According to the 2022 Annual Report, the decrease in the Group's revenue between the FY2021 and FY2022 could be attributed to a few factors. The continued downturn in the global economy in year 2022 and the political context of the Russia-Ukraine war brought uncertainties in the global geopolitical and economic development. China's overall economy also experienced difficulties in year 2022 due to the impact of the COVID-19 pandemic and other domestic and foreign economic factors, reflected by the short-fall in its year-on-year GDP growth from its set target. There also existed fierce competition in the industrial-field DeNOx catalysts businesses, although new demand trends have emerged in certain other industries and fields.

Nonetheless, it was noted in the 2022 Annual Report that despite the challenges set out above, the Group managed to achieve various developments in year 2022, including but not limited to (i) signing contracts for two projects of two power plants in the PRC, thereby expanding the

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business scope of the Group covering all five major power groups in the PRC; (ii) expanding in the cement industry in the PRC by signing catalyst supply contracts for two projects therein; (iii) penetrating into the regenerative thermal oxidizer industry and petrochemical cracking industry in the PRC by signing DeNOx catalyst contracts therein; and (iv) entering the gas turbine industry for DeNOx catalyst project and commencing application of catalyst therein. It was also set out that the total production volume of the Group increased in year 2022, and through constantly adopting various methods such as formula optimisation, process adjustment, quality control, and improvement of personnel efficiency, the Group mitigated the pressure of increases in prices of some raw materials, thereby assuring the gross profit of plate-type catalysts and improving the gross profit of honeycomb catalysts. We believe it was reflected in the increase in the Group's gross profit between the FY2021 and FY2022 despite the decrease in the Group's revenue for the same years.

The Group's net assets decreased by approximately RMB18.84 million, or approximately 9.08%, from approximately RMB207.52 million as at 31 December 2021 to approximately RMB188.68 million as at 31 December 2022. While the Group's property, plant and equipment and right-of-use assets decreased from approximately RMB61.21 million in aggregate as at 31 December 2021 to approximately RMB53.05 million in aggregate as at 31 December 2022, the Group's current assets remained stable at approximately RMB263.36 million and RMB260.89 million, respectively, as at the said year-end dates. Meanwhile, the Group's total liabilities increased from approximately RMB118.27 million as at 31 December 2021 to approximately RMB125.72 million as at 31 December 2022, which was primarily attributed to the increase in contract liabilities between the said year-end dates. Overall, we considered the decrease in the Group's net assets between the aforesaid year-end dates to be immaterial.

Discussion on the Group's performance between 6M2022 and 6M2023

The Group's revenue increased by approximately RMB17.45 million, or approximately 50.07%, from approximately RMB34.84 million for the 6M2022 to approximately RMB52.29 million for the 6M2023. The Group's gross profit increased by approximately RMB3.23 million, or approximately 50.41%, from approximately RMB6.40 million for the 6M2022 to approximately RMB9.63 million for the 6M2023. Despite the aforesaid increases in the Group's revenue and gross profit between the 6M2022 and 6M2023, the Group's selling and marketing expenses and administrative expenses also increased by approximately RMB3.92 million and RMB1.14 million, or approximately 66.70% and 12.02%, respectively, between the same periods which were primarily results of increases in the Group's sale and marketing personnel and other staff, business travels and marketing activities, and therefore the Group's net loss intensified by approximately 15.90% from approximately RMB8.44 million for the 6M2022 to approximately RMB9.78 million for the 6M2023.

The Group's net assets decreased by approximately RMB7.82 million, or approximately 4.15%, from approximately RMB188.68 million as at 31 December 2022 to approximately RMB180.85 million as at 30 June 2023. The Group's total assets increased from approximately RMB314.40 million as at 31 December 2022 to approximately RMB338.15 million as at 30 June 2023, which was primarily attributed to the increases in inventories, trade receivables and prepayments, deposits and other receivables between the said year- or period-end dates.

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Meanwhile, the Group's total liabilities increased from approximately RMB125.72 million as at 31 December 2022 to approximately RMB157.29 million as at 30 June 2023, which was primarily attributed to the increases in trade payables and contract liabilities between the said dates. Overall, we considered the decrease in the Group's net assets between the aforesaid year- or period-end dates to be immaterial.

Future developments of the Group

As reflected in the 2023 Interim Report, looking forward, the Group will continue to strengthen the sales of catalysts in more areas in the industrial field and continue to strengthen the overseas sales of its products, aiming to achieve new breakthroughs in the sales of its products. The Group will also adapt its vehicle catalyst business to, and develop it amid, the industry trend of replacing imported products with natural gas catalyst products of domestic enterprises while controlling costs and expenses. On the research and development frontier, the Group will further invest in technical research and development in a market-oriented manner in pursuit of technological breakthroughs in emerging industries and catalyst products, so as to better support the Group's marketing and product production. Internally, the Group will continue to control the manufacturing costs of its products by means of upgrading production technology, equipment transformation and optimizing the piece-rate wage system for front-line production staff so as to increase the gross profit levels of its products.

(ii) Background information of the Subscriber

As set out in the Letter from the Board, the Subscriber is a company incorporated in the British Virgin Islands with limited liability, and is principally engaged in investment holding of shares of the Company. As at the Latest Practicable Date, the Subscriber directly holds approximately 30.98% of the issued shares of the Company and is a substantial Shareholder of the Company, and is therefore a connected person of the Company. As at the Latest Practicable Date, the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them directly and indirectly holds an aggregate of 180,606,560 Shares, representing approximately 36.56% of the issued share capital of the Company. As at the Latest Practicable Date, the Subscriber is wholly-owned by Ms. Zhao.

We have further enquired with the Company and understood that Ms. Zhao held Bachelor of Engineering, majoring in engineering for thermal power conversion, from Shanghai Institute of Mechanism, now known as the University of Shanghai for Science and Technology, and has over 24 years of experience in the environmental protection industry. Ms. Zhao began her career in a company providing integrated services for engineering construction where she worked for nearly a decade, held various positions during her employment and was primarily responsible for coordinating with different professionals to complete designs of power projects. Then Ms. Zhao worked for around six years in a prime contractor company engaged in project construction and providing service applied in the industry of electronic power, petrification, harbor, metallurgy, mining, civilian and new energy engineering where she last served as executive deputy general manager of its desulphurization business department and was primarily responsible for the implementation of the prime contracts and procurement contracts. In the following around six years, Ms. Zhao worked in environmental engineering company

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and prime contract company engaged in environmental protection projects for the power industry, before joining the Group and worked up to current date. Ms. Zhao was appointed as a Director in November 2014 and was re-designated as an executive Director in October 2015. Ms. Zhao was also the chairlady of the Board as at the Latest Practicable Date. She is primarily responsible for the overall management of the Group and held various positions within the Group. The aforesaid expertise and experience of Ms. Zhao in the engineering and environmental protection industry and in management and business operation of the Group were considered valuable by the Company to its future developments.

(iii) *Background information of the Group's industry*

The Group is principally engaged in design, development, manufacture and sales of plate-type , honey-comb and coating DeNOx catalysts in the PRC. From our enquiry with the Company and our desktop search, we understood that DeNOx is the process of reducing the NOx concentration in industrial flue gas emissions, among which selective catalytic reduction (SCR) technology is considered a commonly used technology in industries such as coal-fired plant, glass plant, cement plant, steelworks and petroleum refinery, as well as in diesel vehicle exhaust. Therefore, in assessing the current conditions and developments of the Group's industry, we have studied the relevant air pollution issues and corresponding government policies in the PRC.

According to the “General plan for energy conservation and emissions reduction during the 14th Five-Year Plan period (2021-2025)” (「十四五」節能減排綜合工作方案*)[@] (the “**General Plan**”) issued by the State Council of the PRC government on 28 December 2021, the PRC government will continue to reduce national energy consumption and pollutant emissions and to implement more stringent emissions supervision and control measures and environmental protection measures during this five-year period. Specifically, it is the major goal of the PRC government to further reduce the national emission of, among other pollutants, NOx by 10% by year 2025 when compared to year 2020. Further reference is made to an article[#] elaborating the General Plan (the “**Article**”) issued by the National Development and Reform Commission of the PRC government on 30 January 2022, which stated that the total national emission of NOx in the PRC remained at unsatisfactory levels of over 10 million tonnes at the material time, and that the reduction in its emissions progressed at a relatively slow pace. It is also stated that the emissions of major pollutants per unit area in the PRC were around two to three times to those in the United States of America (the “USA”) and European countries, such that it is important to implement more stringent emission control and reduction measures for a better living environment.

[@] https://www.gov.cn/zhengce/content/2022-01/24/content_5670202.htm

[#] https://www.ndrc.gov.cn/fggz/fgzy/xmtjd/202201/t20220130_1314224.html

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While the PRC government maintains stringent control and reduction policies toward emissions of pollutants including NO_x, details of which are discussed above and in the General Plan and Article, it is noted that the number of facilities producing pollutants is expected to increase. For instance, with reference to the statistics[^] provided by Global Energy Monitor[&], an independent nonprofit organization (i) with a team consisting of researchers from around the world who work with the aim to enhance public understanding of the global energy system; (ii) whose work was being used by various organisations, fellow research institutes and national and international agencies; and (iii) whose data and reports, according to its website, were referred to by various well-known press organizations worldwide such as The Wall Street Journal, Bloomberg, BBC, The Financial Times, The Economist, South China Morning Post in respect of topics relating to the global energy industry and environmental protection matters, coal-fired power plants in the PRC, being the major industrial source of NO_x emission in the PRC, grew at an increased rate in terms of new coal-fired power capacity from 26,247 megawatts in year 2021 to 27,172 megawatts in year 2022. In the first half of year 2023, the amount of new coal-fired power capacity in the PRC was already 17,019 megawatts which, if annualised, will exceed the amount of new coal-fired power capacity in the PRC in year 2022. It is also noted from another set of statistics^{@@} provided by Global Energy Monitor that by July 2023, new coal-fired power plants announced, pre-permitted or permitted to be constructed amounted to 255,463 megawatts in terms of coal-fired power capacity, and coal-fired power plants under construction amounted to 136,237 megawatts in terms of coal-fired power capacity. Although the statistics were not officially released by the PRC government, we have conducted our own desktop research and found similar disclosures in various worldwide news sources from both the PRC and overseas, such as CNN, Reuters, Bloomberg, CNBC, South China Morning Post, all of which has published articles stating that the number of coal-fired power plants in the PRC was increasing at a rising rate since around year 2022. Therefore, we casted no doubt that coal-fired power generating activity, a major NO_x producing activity in the PRC, is growing at an increasing rate in recent years, and no factor came to our attention which may suggest that coal-fired power generating activity in the PRC will decline significantly in the near future.

[^] <https://docs.google.com/spreadsheets/d/1j35F0WrRJ9dbIJhtRkm8fvPw0Vsf-JV6G95u7gT-DDw/edit?pli=1#gid=647531100>

[&] website: <https://globalenergymonitor.org/>

^{@@} https://docs.google.com/spreadsheets/d/1sHBsK_Ez7C9XA4HKRQSVopO4IvGSLz65jxdG0GQXeVk/edit#gid=1236850196

On the other hand, we have also studied statistics about diesel-powered vehicles in the PRC, being another major source of NO_x emission in the PRC. According to the “China Mobile Source Environmental Management Annual Report 2022”^{###} issued by the Ministry of Ecology and Environment of the PRC, diesel-powered vehicles contributed approximately 78.2% of NO_x emissions in the PRC in year 2021. Further reference is made to the report^{^^} released by the China Association of Automobile Manufacturers^{&&} that from January to October 2023, the total productions and sales of new commercial vehicles in the PRC amounted to approximately 3.29 million vehicles and 3.30 million vehicles, respectively, representing a growth by approximately 22.1% and 19.8%, respectively, when compared to those in the same months in

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the preceding year. It is stated in the same report that the total productions and sales of heavy cargo vehicles, the category which diesel-powered vehicles fall within, grew at faster rates when compared to its other commercial vehicle peers.

<https://www.mee.gov.cn/hjzl/sthjzk/ydyhjgl/202212/W020221207387013521948.pdf>

^^ http://www.caam.org.cn/chn/4/cate_30/con_5236270.html

&& website: <http://www.caam.org.cn/index.html>

Summarising the aforementioned, we observed growths in major NOx emission sources in the PRC in recent years, and were not aware of any factor which may cause us to believe that NOx emission sources in the PRC will decline in the near future. On the other hand, we understood from the PRC government policies and documents that the PRC government will remain stringent in pollutant emission control and reduction measures so as to maintain a better living environment therein. The above factors combined are expected to continuously support the demand for DeNOx technology in the PRC, the major type of it being the SCR technology, and DeNOx catalysts which are the core component of the SCR technology.

(iv) *Reasons for and benefits of the Transaction*

As set out in the Letter from the Board, the Share Subscription demonstrates the Subscriber's confidence in, and commitment to, the Company's long-term development and growth prospect, and will further strengthen the Company's capital base by raising additional funds for the Group. It is also set out that the net proceeds from the Share Subscription are intended to be used as to (i) approximately 30% of the net proceeds (being approximately HK\$1,008,826.6) for the development of coated products; (ii) approximately 50% of the net proceeds (being approximately HK\$1,681,377.6) for the expansion of overseas markets and (iii) approximately 20% of the net proceeds (being approximately HK\$672,551.0) for general working capital. In this relation, we have enquired with the Company on more details.

The development of coated products

We understood from the Company that coated products are expected to be applied on industrial uses, such as in the fields of metallurgy and petrochemical operation, and vehicles and machineries. Coated products are expected to provide the benefits of energy conservation and emissions reduction during customers' operations. We also understood that coated products, particularly those to be applied on vehicles and machineries, have a relatively high technical barrier and are yet to enter into mature development stage worldwide. In respect of this developing market, the Company has already completed various preparation work and accumulated experiences. Ms. Zhao, an executive Director and the chairlady of the Board, gained knowledge and experience on coated products for more than five years leveraging on her expertise and long-time work experience in the environmental protection industry as discussed above in the paragraphs headed "(ii) Background information of the Subscriber" above. Also, Mr. Li Ke has been responsible for the research and development of vehicle coating products since year 2018 when the Company started supplying vehicle coating catalyst products. The Group also maintained a crew of around 20 research and development and

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management personnel who possessed relevant academic qualifications, including doctorates, master's degrees and bachelor's degrees in relevant fields, and has ample experience on environmental protection technologies and products. The Group's management and core technical personnel's experience in vehicle exhaust treatment system coating catalyst products could help them further develop coated products for other uses. The Group also held various patents, intellectual property rights and software copyrights in respect of vehicle and machinery coated products, and has started developing and selling vehicle coated products in small-scale since year 2018. We also understood from the Company that it is common that the Group's customers of industrial DeNOx catalysts, i.e. those used in large-scale coal-fired power plant or factory operations, could also use coated products for vehicles and machineries in smaller-scales. Therefore, the Group could cross-sell its coated products to existing customers of the Group, and the already established base of customers of the Group represents an advantage for the Group's sales and marketing of coated products. To leverage on the aforesaid expertise, experience and established sale network of the Group in respect of coated products, the Company is making further investments into the development of coated products to cover higher variety of applications, building validity demonstration and approaching customers for these new products. The Company also expects that coated products could bring relatively higher gross profit margins to the Company. We have enquired with the Company and understood that the major reason of such expectation is that according to the Group's experience in and observations on the market during its course of operations, most of the coated products used in the PRC market was imported and relatively expensive, which allowed ample room for the Group to price its coated products without the need to enter fierce price competition. On the other hand, the Company is confident that once breakthroughs in coated products are achieved and the Group proceeds into mass quantity production of the same, the Group could effectively control the production costs of coated products. Therefore, coated products will be the major development directions of the Company in the near future.

Considering (i) the expected applicational benefits of coated products, being energy conservation and emissions reduction during industrial operations, align with the target of the PRC government to control and cut national energy consumption and pollutant emissions; (ii) the relatively high technical barrier of coated products and its immature market at the material time represent ample business opportunities for the Group should it succeed in completing development of coated products and securing customers for it; (iii) the Company's management and research and development personnel possesses relevant academic qualifications and industry experiences in respect of coated products; (iv) the Group held various patents, intellectual property rights and software copyrights in respect of vehicle and machinery coated products, and has started accumulating experience since year 2018; (v) the Group has an established customer network for the sales and marketing of coated products; (vi) the expectation of the Company that coated products could bring relatively higher gross profit margins to the Company and may help improve the Group's performance in the future; and (vii) we casted no doubt on the rich experiences of the Group and its management in the environmental protection industry in enabling them to capture future market developments, we believe it is fair and reasonable for the Group and in the interests of the Company and its Shareholders as a whole to develop coated products and apply part of the net proceeds from the Share Subscription on it.

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The expansion of overseas markets

We understood from the Company that the aggregate value of the overseas DeNOx catalysts market is higher than that of the domestic market in the PRC, and that the Company also values the opportunities in the former. We also understood from the Company that there is currently no significant sale channel of DeNOx catalysts from domestic enterprises in the PRC to overseas markets, and therefore the Company could become a pioneer in the overseas DeNOx catalysts market among domestic enterprises should it succeed in establishing overseas market. With the alleviation of the global COVID-19 pandemic and the loosening of containment and restriction measures by various governments worldwide, we understood from the Company that currently it has already established a branch in the Italian Republic, which is expected to be a bridge between the Group and the European market, and has employed one employee thereunder as at the Latest Practicable Date and recruitment is still undergoing. The Company also targets and plans to expand into the markets in the Republic of India and the USA by setting up branches and employing local staff therein. The aforesaid overseas branches, once fully established and operative, are expected to be responsible for building up case demonstrations, approaching overseas customers and promoting the Group's products, creating and boosting overseas sales for the Group. On the other hand, the Company is also confident that it possesses cost advantages over its overseas competitors, and could therefore establish price advantage which could help the Group capture overseas DeNOx market.

In this relation, we have considered that (i) DeNOx is not merely a focus in the PRC, but a worldwide trend amid the arising environmental awareness in global countries, such that we have no doubt on an established DeNOx overseas market and its global demand; (ii) the rich experiences of the Group and its management in the environmental protection industry could help them understand the worldwide DeNOx market and relevant supply chain management as a whole, and no factor has caused us to doubt the view of the Company's management on the overseas DeNOx catalysts markets and cost structures; (iii) the Company has already been establishing an overseas branch in the Italian Republic which is in the process of recruitment, and planning to do so in other overseas countries; and (iv) it is beneficial for the Group to diversify its income sources among domestic and international markets which could help the Group reduce geographical market risks. Therefore, we were of the view that it is also fair and reasonable for the Group and in the interests of the Company and its Shareholders as a whole to develop overseas DeNOx catalysts market and apply part of the net proceeds from the Share Subscription on it.

General working capital; and intended uses of the Group's prevailing liquid financial resources

We noted from the 2023 Interim Report that the Group had a bank balances and cash of approximately RMB23.02 million and bank deposits with original maturity over three months of approximately RMB47.78 million as at 30 June 2023. We have enquired with the Company and understood that the latter will shortly be mature by 27 December 2023, and the Company currently had no intention to renew such bank deposits. In this sense, we also considered such bank deposits to be liquid financial resources of the Group. The aggregate amount of the Group's bank balances and cash and the aforesaid bank deposits amounted to approximately

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RMB70.80 million as at 30 June 2023. We then noted from the 2023 Interim Report that the Group's liquid financial resources included unutilised net proceeds of the Company from its listing on the Main Board which amounted to approximately RMB22.50 million as at 30 June 2023 and which have already been earmarked for specified purposes in research and development and working capital and general corporate purposes.

We have then enquired with the Company on its intended allocation for its remaining liquid financial resources as at 30 June 2023 of approximately RMB48.30 million. We were given the understanding that approximately RMB20.00 million, RMB5.00 million and RMB23.30 million, respectively, was intended to be allocated for the development of coated products, expansion of overseas markets and daily operations. Although the Company has already intended to allocate approximately RMB20.00 million and RMB5.00 million, respectively, for the development of coated products and expansion of overseas markets, we understood from the Company that such intended allocation may not be sufficient as the Group expects to incur substantial costs for developing coated products which is a kind of new product with no mature market and peer example, and for developing overseas markets which involve leasing overseas offices, setting up overseas branches and crews, and incurring various lease expenses, salaries, administrative costs and marketing costs. Having considered it and also taken into account the potentials of the DeNOx catalysts market, coated products and overseas markets which are discussed above, we were of the view that it is fair and reasonable for the Company to raise additional financial resources from the Share Subscription and apply part of the proceeds therefrom to the development of coated products and expansion of overseas markets.

We have also considered the intended allocation of approximately RMB23.30 million of the Group's liquid financial resources as at 30 June 2023 for daily operations and the part of net proceeds from the Share Subscription to be used for general working capital. We noted that the Group incurred a significant amount of cost of sales, selling and marketing expenses and administrative expenses in aggregate for the FY2021 and FY2022, amounting to approximately RMB92.77 million and RMB82.68 million in total, respectively. The Group's total cost of sales, selling and marketing expenses and administrative expenses also amounted to approximately RMB63.10 million in aggregate for the 6M2023. In addition, the Group recorded net loss of approximately RMB19.45 million and RMB23.53 million, respectively, for the FY2021 and FY2022, and recorded net loss of approximately RMB9.78 million for the 6M2023. Considering the significant amounts of cost of sales, selling and marketing expenses and administrative expenses incurred by the Group historically and the loss making positions of the Group for the FY2021, FY2022 and 6M2023, we were of the view that it is beneficial for the Group to reserve a sufficient amount of working capital for its business and corporate needs. Meanwhile, we also noted that among the unutilised net proceeds of the Company from its listing on the Main Board as at 30 June 2023, only approximately RMB8.80 million was reserved for working capital and general corporate purposes. Considering all of the above including the substantial amount of the Group's costs and its recent loss making positions, despite that the Company already has unutilised net proceeds from its listing and liquid financial resources reserved for general working capital and corporate purposes, we were of the view that it may not be sufficient for the Group's needs and it will be beneficial for the Group to reserve further working capital to mitigate liquidity needs, and therefore we were of the

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view that it is fair and reasonable for the Group and in the interests of the Company and its Shareholders as a whole to apply part of the net proceeds from the Share Subscription for general working capital.

Alternative fund-raising methods

We have also enquired with the Company and understood that the Board has considered various fund-raising methods including bank borrowing and equity fund-raising such as placement of Shares to independent third parties.

Nonetheless, the Board considered debt financing such as bank borrowings to be inappropriate as the Group's gearing ratio was already approximately 46.51%, based on the total liabilities of the Company of approximately RMB157.29 million divided by the total assets of the Company of approximately RMB338.15 million as at 30 June 2023, and the Group may not be in a healthy financial position should the Group continues to increase its debt level. Besides, based on the communication experience between the Company and a few banks exploring the possibility of applying for new loans, no bank has shown interest in providing the Group with new loan of meaningful loan size as there exist uncertainties in developing new coated products and expanding into overseas markets. In addition, debt financing would incur finance costs for the Company.

In respect of equity financing, the Company has approached a few investors for their participation in fund-raising activities of the Company, but all such investors declined the Company's proposals primarily as they are unsatisfied with the loss making positions of the Group for the FY2021, FY2022 and 6M2023.

Having considered (i) the restrictions of the alternative fund-raising methods as discussed above; (ii) only the Subscriber expressed its willingness to subscribe for the Subscription Shares at a similar price level to the prevailing market price; and (iii) the Share Subscription enables the Company to raise a meaningful size of proceeds which matches its capital needs, the Board considered the Share Subscription to be the best available fund-raising option to the Company at the material time.

Overall reasons for and benefits of the Transaction

Considering (i) the goal of the PRC government to conserve energy and control and reduce pollutants' emission including NOx; (ii) the potentials in the domestic DeNOx catalysts market, coated products and overseas DeNOx markets; (iii) the expertise and rich experiences of the Group and its management in the environmental protection industry and their views in the prospects of the DeNOx industry domestically and in overseas; (iv) the allocation of the Group's prevailing liquid financial resources already made to specific purposes; (v) the needs of sufficient working capital of the Group in light of its substantial amounts of daily costs and recent loss making positions; and (vi) the Share Subscription represented the best available fund-raising option the Company had at the material time, we were of the view that it is fair

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and reasonable for the Company and in the interests of the Company and its Shareholders as a whole to carry out the Share Subscription and raise additional financial resources for the intended uses set out in the Letter from the Board.

II. Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement as extracted from the Letter from the Board are summarised as follows:

Date	6 November 2023
Parties	(a) The Company (as issuer) (b) The Subscriber (as subscriber)
Number of the Subscription Shares	98,807,400
Total Share Subscription consideration	HK\$4,742,755.2
Subscription price per Subscription Share	HK\$0.048
Conditions precedent, completion and termination	Please refer to the paragraphs headed “Conditions precedent”, “Completion of the Share Subscription” and “Termination of the Share Subscription Agreement”, respectively, in the Letter from the Board for details.

Subject matter

Pursuant to the Share Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 98,807,400 Subscription Shares at the Subscription Price of HK\$0.048 per Subscription Share for a total consideration of HK\$4,742,755.2 in cash.

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

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with the Shares in issue.

III. Our analysis on the Subscription Price under the Share Subscription Agreement

The Subscription Price

The Subscription Price of HK\$0.048 per Subscription Share represents:

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- (a) a discount of approximately 4.00% to the closing price of HK\$0.0500 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;
- (b) a premium of approximately 2.56% to the average closing price of HK\$0.0468 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement;
- (c) a discount of approximately 10.95% to the average closing price of HK\$0.0539 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Share Subscription Agreement;
- (d) a discount of approximately 16.96% to the average closing price of HK\$0.0578 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to the date of the Share Subscription Agreement;
- (e) a discount of approximately 88.77% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.4275 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB188,675,000 as at 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 2022 and 494,037,000 Shares then in issue (based on the exchange rate of HK\$1: RMB0.89327 as at 30 December 2022 published by the State Administration of Foreign Exchange for illustration purposes); and
- (f) a discount of approximately 87.91% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.3970 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB180,853,000 as at 30 June 2023 as extracted from the interim results announcement of the Company for the six months ended 30 June 2023 and 494,037,000 Shares then in issue (based on the exchange rate of HK\$1: RMB0.92198 as at 30 June 2023 published by the State Administration of Foreign Exchange for illustration purposes).

As set out in the Letter from the Board, based on the closing price of HK\$0.0500 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement and the average closing price of HK\$0.0468 per the Shares for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement, the theoretical diluted price is approximately HK\$0.0497 per Share and the theoretical value dilution in respect of the Share Subscription is approximately 0.6%.

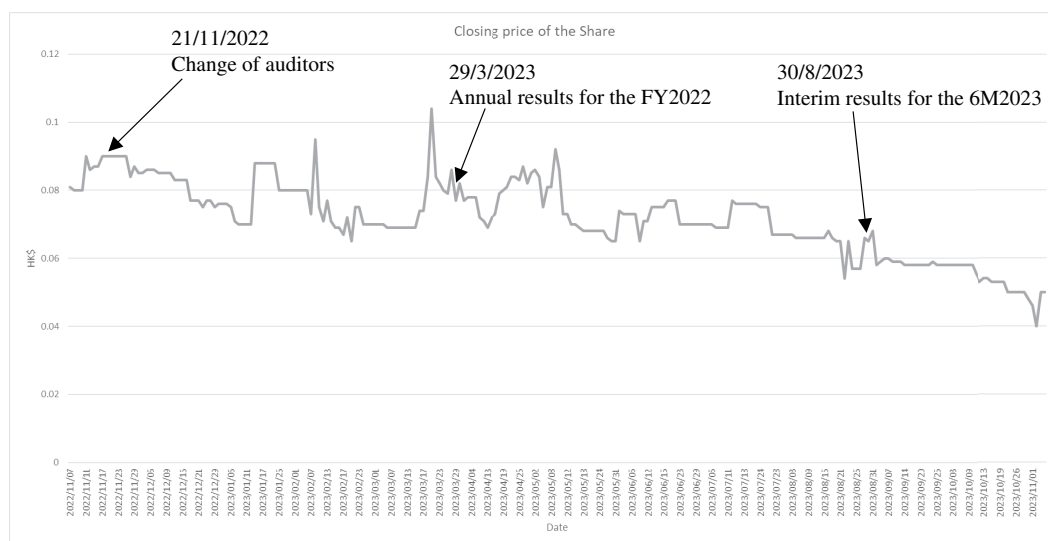
As set out in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber taking into account (i) the recent and historical market prices of the Shares; (ii) the net asset value of the Group; (iii) the business prospects and financial position of the Group; and (iv) the current equity capital market conditions.

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(i) *Analysis on the historical Share price performance*

To assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price per Share during the period from 7 November 2022, being approximately 12 months immediately preceding the date of the Share Subscription Agreement as 6 November 2022 is not a trading day of the Stock Exchange, to 6 November 2023, the date of the Share Subscription Agreement which already represented all information available to the Board and the Company before entering into the Share Subscription Agreement (the “**Review Period**”), which is commonly adopted for share price analysis. We also considered that a period of 12 months is adequate and long enough to illustrate the recent price movements and covered the seasonal factors of the Shares for conducting a reasonable comparison between the Subscription Price and the closing price of the Shares for assessing the reasonableness and fairness of the Subscription Price, and that movements in the Share prices before such 12 month period may be too long ago and not able to reflect prevailing performance of the Group and market’s expectation on the Share prices.

Chart illustrating the Share prices during the Review Period



During the Review Period, the closing price per Share ranged from HK\$0.04 to HK\$0.104, with an average of HK\$0.072 and a median of HK\$0.071. In general, the movement of the closing price per Share demonstrated a gentle downward slope despite a few spikes in certain dates. For instance, the closing price per Share increased from HK\$0.07 per Share on 12 January 2023 to HK\$0.088 per Share on 13 January 2023, followed by a slight decline for approximately half a month. Then on 8 February 2023, the closing price per Share jumped to HK\$0.095 from HK\$0.073 per Share on 7 February 2023, then returned to HK\$0.075 per Share on 9 February and remained relatively stable until mid-March 2023. Starting from 15 March 2023, the closing price per Share climbed from HK\$0.069 per Share, reaching its peak during the Review Period of HK\$0.104 per Share on 21 March 2023, before gradually

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declining to HK\$0.069 per Share on 13 April 2023. On 9 May 2023, the closing price of the Share reached a local peak of HK\$0.092, then generally remained in gradual decline up to 6 November 2023.

We have studied the announcements of the Company on the Stock Exchange to assess if they could be the reasons for the fluctuations in the closing price of the Shares. Nonetheless, for a reasonable time before each of 13 January 2023, 8 February 2023, 21 March 2023 and 9 May 2023, where spikes in the closing price of the Share were observed, we were not aware of any announcement of the Company which may cause us to believe that it is the reason for the closing price movements of the Share. We have also enquired with the Company for any possible reason for such fluctuations in the closing price of the Share, and as confirmed by the management of the Company, save for normal market fluctuations during the Review Period, it did not identify any specific reasons for the movements in the closing prices of the Share during the Review Period.

We noted that (i) the Subscription Price of HK\$0.048 per Subscription Share was lower than the average and median of the closing price per Share during the Review Period of HK\$0.072 and HK\$0.071, respectively; and (ii) there were 241 trading days out of the 244 trading days during the Review Period that the closing price per Share was higher than the Subscription Price. Nonetheless, in evaluating the fairness and reasonableness of the Subscription Price, we considered that factors other than the average, median and movements of the closing price per Share during the Review Period should also be taken into account, including the liquidity of the Shares during the Review Period, the most prevailing market conditions, the performance and financial position of the Group, as well as the reasons and benefits of the Share Subscription. Therefore, before coming to our opinion on the fairness and reasonableness of the Subscription Price set out in the paragraphs headed “(iv) Conclusion on the fairness and reasonableness of the Subscription Price” below, we have also studied the aforesaid additional factors, the details of which are discussed below.

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(ii) *Analysis on the historical Share liquidity*

We have also reviewed the trading liquidity of the Share during the Review Period, which is set out in the following table.

Month/period	Number of trading days	Average daily number of Shares traded	% of average	
			daily number of Shares traded to the total number of Shares in issue held by Independent Shareholders	% of average daily number of Shares traded to the total number of Shares in issue held by Independent Shareholders
			(Note 1)	(Note 2)
2022				
November (from 7 November 2022)	18	29,556	0.006%	0.009%
December	20	94,650	0.019%	0.030%
2023				
January	18	158,889	0.032%	0.050%
February	20	2,054,900	0.416%	0.649%
March	23	4,022,652	0.814%	1.271%
April	17	306,118	0.062%	0.097%
May	21	1,071,762	0.217%	0.339%
June	21	65,905	0.013%	0.021%
July	20	20,700	0.004%	0.007%
August	23	31,739	0.006%	0.010%
September	19	63,158	0.013%	0.020%
October	20	17,705	0.004%	0.006%
November (up to 6 November 2023)	4	85,500	0.017%	0.027%
Average			0.125%	0.195%
Maximum			0.814%	1.271%
Minimum			0.004%	0.006%

Notes:

- Based on 494,037,000 Shares in issue which remained unchanged between 7 November 2022 and 6 November 2023.
- Based on 316,392,914 Shares in issue held by Shareholders other than the Subscriber, Ms. Zhao Shu and parties acting, or presumed to be acting, in concert with any of them as set out in the Letter from the Board.

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As set out in the table above, during the Review Period, the percentage of average daily trading volume of the Shares by month/period were (i) in the range of approximately 0.004% to approximately 0.814% with an average of 0.125% as to the total number of issued Shares; and (ii) in the range of approximately 0.006% to approximately 1.271% with an average of 0.195% as to the total number of issued Shares held by Independent Shareholders. The above statistics reflected that the trading liquidity of the Shares has been extremely low on the Stock Exchange, and based on such thin liquidity and the implied low interest of investors in trading the Shares, we considered that the Company is unlikely to raise fund of meaningful size by issue of new Shares without discount.

(iii) Trading multiple comparable analysis

In further assessing the fairness and reasonableness of the Subscription Price under the Share Subscription Agreement, we have also attempted to compare its implied trading multiples with those of comparable companies with similar business activities as the Group. As the Group was in loss making positions for all the FY2021, FY2022 and 6M2023, price-to-earnings ratio is not applicable, and therefore we attempted to conduct comparable analysis in respect of price-to-sale ratio (the “**P/S Ratio**”) as an alternative method to weight valuation against performance which is similar to price-to-earnings ratio in concept, and price-to-book ratio (the “**P/B Ratio**”), which is another commonly adopted method of trading multiple analysis to weight valuation against net assets as the Group’s operations involved manufacturing which will depend on and relate to, among other things, assets such as property, plant and equipment and inventories. In selecting comparable companies with similar business activities as the Group, we have based on the following criteria: (i) the shares of such comparable companies are listed on the Stock Exchange so that credible financial information of them are publicly available; (ii) such comparable companies are principally engaged in similar business activities as the Group, being the productions and sales of DeNOx catalysts or products alike; and (iii) initially, considering the prevailing market capitalisation of the Company of less than HK\$30 million as at 6 November 2023, we have attempted to search for comparable companies with a prevailing market capitalisation of less than HK\$100 million to ensure that they are of comparable size and scale of operation for a meaningful comparison with the Company. In this respect, however, we have only managed to identify one comparable company, which we considered insufficient for a meaningful comparable analysis. Therefore, we have eventually loosened the criteria to include comparable companies with a prevailing market capitalisation of less than HK\$1 billion. We understood that comparable companies included in such loosened and wide range of prevailing market capitalisation may be significantly larger in scale than the Company such that the market’s valuation on these comparable companies could be different than that on the Company, but considering that there is only one comparable company in the original range of market capitalisation criteria which could not provide meaningful comparison with the Company, we considered that by including comparable companies with higher prevailing market capitalisation, the comparison analysis would be more meaningful than just including the one comparable company in the original range of market capitalisation criteria. Besides, all comparable companies selected hereunder are still engaged in similar principal activities as the Group, and could still provide reference as to the market’s valuation on companies in the same industry as the Group. Therefore, we considered it meaningful and relevant to include comparable companies with wider range of prevailing market capitalisation

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for the purpose of this comparable analysis. Other than the three aforementioned criteria, we did not impose other criteria in selecting comparable companies for the purpose of this P/S Ratio and P/B Ratio comparable analysis. Based on the three aforementioned criteria and our research on a best effort basis on the website of the Stock Exchange, we have identified an exhaustive list of three comparable companies (the “**Comparable Companies**”) for the purpose of this P/S Ratio and P/B Ratio comparable analysis. The following table sets out the details of the Comparable Companies with a comparison to those of the Company and implied by the Share Subscription.

Company name (Stock code)	Principal business	Percentage of revenue generated from the production and sales of DeNOx catalyts or similar environmental protection products/ services in its latest audited financial year (%)	Revenue for its latest audited financial year			Percentage of discount of market capitalisation as at 6 November 2023 over its net asset based on its latest published financial report <<(A) - (C)>>/ (C) (%) (approximately)	P/S Ratio (A/B) (times)	P/B Ratio (A/C) (times)
			Market capitalisation as at 6 November 2023 (A) (HK\$) (Note 1)	based on its latest audited financial report (B) (HK\$) (Note 2)	Net asset based on its latest published financial report (C) (HK\$) (Note 2)			
Datang Environment Industry Group Co., Ltd. (1272)	Environmental protection facility concession operation, denitrification catalyts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.	Over 95%	437,007,340	5,773,142,584	7,610,152,064	94.26%	0.076	0.057
Zhejiang Tengy Environmental Technology Co., Ltd (1527)	The design, development, manufacturing, installation and sale of environmental pollution prevention equipment (desulfurisation and denitrification devices) and electronic products.	Over 93%	94,500,000	512,452,548	912,265,993	89.64%	0.184	0.104

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Company name (Stock code)	Principal business	Percentage of revenue generated from the production and sales of DeNOx catalysts or similar environmental protection products/ services in its latest audited financial year (%) <i>(Note 1)</i>	Market capitalisation as at 6 November 2023 (HK\$) <i>(Note 1)</i>	Revenue for its latest audited financial year based on its latest audited financial report (HK\$) <i>(Note 2)</i>	Net asset based on its latest published financial report (HK\$) <i>(Note 2)</i>	Percentage of discount of market capitalisation as at 6 November 2023 over its net asset based on its latest published financial report <<(A) - (C)>>/ (%) <i>(approximately)</i>	P/S Ratio (A/B) (times)	P/B Ratio (A/C) (times)
China Boqi Environmental (Holding) Co., Ltd. (2377)	Providing independent flue gas treatment service and environmental protection solution service by various business models, including environmental protection facility engineering, operation and maintenance and concession operation.	Over 79%	804,576,639	2,061,051,216	3,250,938,198	75.25%	0.390	0.247
Average							0.217	0.136
Median							0.184	0.104
Maximum							0.390	0.247
Minimum							0.076	0.057
The Company							0.348 <i>(Note 3)</i>	0.121 <i>(Note 4)</i>

Source: The website of the Stock Exchange

Notes:

1. Calculated based on their respective closing prices on the Stock Exchange as at 6 November 2023 multiplied by their respective number of shares in issue on even date.
2. Translated from RMB to HK\$ based on the exchange rate of HK\$1: RMB0.92198 as at 30 June 2023 published by the State Administration of Foreign Exchange (the "Exchange Rate") for illustration purposes.
3. Based on (the Subscription Price multiplied by the 494,037,000 Shares in issue as at the Latest Practicable Date) divided by (the Group's revenue of approximately RMB62,791,000 for the FY2022 translated into approximately HK\$68,104,514.20 at the Exchange Rate).

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4. Based on the Subscription Price divided by the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.3970 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB180,853,000 as at 30 June 2023 as extracted from the interim results announcement of the Company for the six months ended 30 June 2023 and 494,037,000 Shares then in issue (based on the Exchange Rate).

We noted from the table above that the P/S Ratios of the Comparable Companies ranged from approximately 0.076 times to approximately 0.390 times, with an average of approximately 0.217 times and median of approximately 0.184 times. The P/S Ratio implied by the Share Subscription and the Subscription Price of approximately 0.348 times (the “**Implied P/S Ratio**”), calculated by the formula set out in Note 3 above, was (i) within the range of the P/S Ratios of the Comparable Companies; (ii) higher than the average of the P/S Ratios of the Comparable Companies; (iii) higher than the median of the P/S Ratios of the Comparable Companies; (iv) higher than the P/S Ratios of two out of the three Comparable Companies; and (v) near the upper range of the P/S Ratios of the Comparable Companies. We also noted from the table above that the P/B Ratios of the Comparable Companies ranged from approximately 0.057 times to approximately 0.247 times, with an average of approximately 0.136 times and median of approximately 0.104 times. The P/B Ratio implied by the Share Subscription and the Subscription Price of approximately 0.121 times (the “**Implied P/B Ratio**”), calculated by the formula set out in Note 4 above, was (i) within the range of the P/B Ratios of the Comparable Companies; (ii) lower than the average of the P/B Ratios of the Comparable Companies; but (iii) higher than the median of the P/B Ratios of the Comparable Companies. We also noted that the Implied P/B Ratio was higher than the P/B Ratios of two out of the three Comparable Companies. As such, although the Subscription Price represented a discount of approximately 87.91% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023, we considered that (i) in the sense that the market capitalisation of a company is a reasonable reflection of the market’s valuation on the value of a company, and that the market capitalisations of all Comparable Companies represented discounts ranging from approximately 75.25% to 94.26% to their respective net asset values based on their latest published financial reports, it was not uncommon that the market generally valued companies engaging in the business activities of the Group and Comparable Companies at a discount to their book value; (ii) assets of the Group generally included property, plant and equipment and inventories which were illiquid in nature and may not provide important reference to investors and the market in determining the value of the Company; (iii) the Implied P/B Ratio was within the range, and higher than the median, of the P/B Ratios of the Comparable Companies; (iv) the Implied P/B Ratio was higher than the P/B Ratios of two out of the three Comparable Companies; and (v) the Implied P/S Ratio was within and near the upper limited of the range, and higher than the average and median, of the P/S Ratios of the Comparable Companies, and therefore were of the view that the Subscription Price was fair and reasonable for the purposes of this P/S Ratio and P/B Ratio comparable analysis.

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(iv) *Conclusion on the fairness and reasonableness of the Subscription Price*

Notwithstanding that the Subscription Price represented (i) a discount of approximately 4.00% to the closing price of HK\$0.0500 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement; (ii) a discount of approximately 88.77% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.4275 per Share; and (iii) a discount of approximately 87.91% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.3970 per Share, having considered that:

- (a) during the Review Period, the closing price per Share exhibited in general a movement of gradual downward slope;
- (b) the Group was in loss making positions for the FY2021, FY2022 and 6M2023 which could be unfavourable in terms of the market's valuation on the Share price of the Company;
- (c) the trading liquidity of the Shares has been extremely low on the Stock Exchange during the Review Period, and based on such thin liquidity and the implied low interest of investors in trading the Shares, we considered that the Company is unlikely to raise fund of meaningful size by issue of new Shares without discount;
- (d) the discount represented by the Subscription Price of approximately 4.00% to the closing price of HK\$0.0500 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement was not substantial;
- (e) the Subscription Price was fair and reasonable for the purposes of the P/S Ratio and P/B Ratio comparable analysis as discussed in details under the paragraphs headed "(iii) Trading multiple comparable analysis" above; and
- (f) as discussed in the paragraphs headed "I. Background of and reasons for the Transactions – (iv) Reasons for and benefits of the Transaction – Alternative fund-raising methods" above, the Group was in need of the proceeds from the Share Subscription as the Group's prevailing liquid financial resources were already allocated to specific purposes and the Group needed sufficient working capital in light of its substantial amounts of daily costs and recent loss making positions, but no bank has shown interest in providing the Group with new loan of meaningful loan size; all the investors that the Company attempted to approach declined the Company's fund-raising proposals; and only the Subscriber expressed its willingness to subscribe for the Subscription Shares at a similar price level to the prevailing market price,

we were of the view that the Subscription Price is on normal commercial terms and fair and reasonable.

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IV. POSSIBLE FINANCIAL EFFECTS OF THE SHARE SUBSCRIPTION

(i) **Net asset value**

Other things being constant, the net proceeds (after deducting costs and expenses incidental to the Share Subscription and the Whitewash Waiver) from the Share Subscription under the Share Subscription Agreement is expected to, upon completion, improve the adjusted consolidated net assets of the Group attributable to the owners of the Company. Based on adding up the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB188,675,000 (translated into approximately HK\$205,655,750 at an exchange rate of RMB1 to HK\$1.09) as at 31 December 2022 as extracted from the 2022 Annual Report and the expected maximum net proceeds from the Share Subscription of approximately HK\$3,362,755.2, before being divided by 592,844,400 Shares in issue immediately after Completion, the consolidated net asset value per Share attributable to the Shareholders immediately after Completion is expected to decrease when compared to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.4275 per Share.

(ii) **Gearing ratio**

As mentioned previously, the Group's gearing ratio was approximately 46.51%, based on the total liabilities of the Company of approximately RMB157.29 million divided by the total assets of the Company of approximately RMB338.15 million as at 30 June 2023. Other things being constant, the net proceeds (after deducting costs and expenses incidental to the Share Subscription and the Whitewash Waiver) from the Share Subscription under the Share Subscription Agreement which fall into equity of the Company is expected to, upon completion, improve the gearing ratio of the Company.

V. EFFECT ON THE SHAREHOLDING INTEREST OF THE PUBLIC SHAREHOLDERS

With reference to the paragraphs headed "6. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY" in the Letter from the Board, the shareholding interests of the other public Shareholders would be diluted by approximately 8.85% immediately after completion of the Share Subscription. Having considered the reasons and benefits of the Share Subscription and the fairness and reasonableness of the Subscription Price as discussed in details in this letter:

- (a) The Company's intention to continue to develop its DeNOx catalysts business and new coated products aligned with the goal of the PRC government to conserve energy and control and reduce pollutants' emission including NOx;
- (b) there exist potentials in the domestic DeNOx catalysts market, coated products and overseas DeNOx markets;
- (c) the expertise and rich experiences of the Group and its management in the environmental protection industry and their views in the prospects of the DeNOx industry domestically and in overseas could help the Group's development;

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- (d) the Group's prevailing liquid financial resources were already allocated to specific purposes and that the use of proceeds from the Share Subscription was considered fair and reasonable and in the interest of the Company and the Shareholders as a whole;
- (e) the Share Subscription represented the best available fund-raising option the Company had at the material time; and
- (f) based on the downward movement of the closing prices of the Shares and thin liquidity during the Review Period, and the comparable analysis between the Implied P/B Ratio and the P/B Ratios of the Comparable Companies, and the Implied P/S Ratio and the P/S Ratios of the Comparable Companies, the Subscription Price is considered fair and reasonable,

we are of the view that the aforesaid dilution is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

VI. APPLICATION FOR WHITEWASH WAIVER

As set out in the Letter from the Board, as at the Latest Practicable Date, the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them hold an aggregate of 180,606,560 Shares, representing approximately 36.56% of the issued share capital of the Company. Upon completion of the Share Subscription, assuming that there is no other change in the issue share capital of the Company between the Latest Practicable Date and the date of completion (save and except for the Share Subscription), the shareholding of the Subscriber, Ms. Zhao Shu and the parties acting, or presumed to be acting, in concert with any of them will increase to approximately 47.13% of the issued share capital of the Company as enlarged by the Subscription Shares.

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

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

The Executive has indicated that it is minded, subject to approval by the Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Share Subscription.

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As also set out in the Letter from the Board, as at the Latest Practicable Date, the Company does not believe that the Share Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Share Subscription does not comply with other applicable rules and regulations.

Having considered that (i) the aforesaid reasons for and benefits of the Share Subscription and that the Share Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) that the terms of the Share Subscription Agreement, principally being the Subscription Price thereunder, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Share Subscription, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED
Leo Chan
Managing Director

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following summary of financial information for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 is extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim reports of the Company for the six months ended 30 June 2022 and 2023, respectively.

	For the year ended			For the six months ended	
	31 December		2022	30 June	
	2020	2021		2022	2023
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	64,776	71,460	62,791	34,844	52,289
Cost of sales	(49,086)	(59,237)	(49,401)	(28,443)	(42,661)
Gross profit	15,690	12,223	13,390	6,401	9,628
Selling and marketing expenses	(9,039)	(13,316)	(15,817)	(5,880)	(9,802)
Administrative expenses	(18,061)	(20,213)	(17,460)	(9,495)	(10,636)
Research and development expenses	(6,718)	(6,891)	(5,745)	–	–
Impairment loss reversed (recognised) in respect of trade receivables, net	(448)	(486)	429	–	–
Other gains, net	(2,347)	713	1,590	620	1,204
Share of result of an associate	(600)	91	17	11	7
Gain on disposal of a subsidiary	–	8,618	–	–	–
Finance income	265	87	321	55	62
Finance costs	(142)	(279)	(256)	(152)	(245)
Loss before tax	(21,400)	(19,453)	(23,531)	(8,440)	(9,782)
Income tax expenses	–	–	–	–	–
Loss for the year/period	(21,400)	(19,453)	(23,531)	(8,440)	(9,782)
Other comprehensive income (expense)	(3,695)	(1,630)	4,685	2,278	1,960
Other comprehensive income (expense) for the year/period	(3,695)	(1,630)	4,685	2,278	1,960
Total comprehensive expense for the year/period	(25,095)	(21,083)	(18,846)	(6,162)	(7,822)
Loss for the year/period attributable to:					
– Owners of the Company	(21,027)	(12,296)	(23,531)	–	–
– Non-controlling interests	(373)	(7,157)	–	–	–
	(21,400)	(19,453)	(23,531)	–	–
Total comprehensive expense for the year/period attributable to:					
– Owners of the Company	(24,722)	(13,926)	(18,846)	–	–
– Non-controlling interests	(373)	(7,157)	–	–	–
	(25,095)	(21,083)	(18,846)	–	–

	For the year ended			For the six months ended	
	31 December			30 June	
	2020	2021	2022	2022	2023
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss per share attributable to owners of the Company					
Basic and diluted (RMB per share)	(0.04)	(0.02)	(0.05)	(0.017)	(0.020)
Dividend	-	-	-	-	-
Dividend per Share	-	-	-	-	-

Save as disclosed above, the Group had no other material income or expense for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 30 June 2023.

The auditors of the Group for the year ended 31 December 2020 were PricewaterhouseCoopers (retired on 30 June 2020) and SHINEWING (HK) CPA Limited (appointed on 30 June 2020). The auditors of the Company for the year ended 31 December 2021 and 2022 were SHINEWING (HK) CPA Limited (resigned on 18 November 2022) and CL Partners CPA Limited (appointed on 21 November 2022). No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the three years ended 31 December 2020, 2021 and 2022.

The Company is required to set out or refer to in this circular the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements for the three years ended 31 December 2020, 2021 and 2022 as shown in the (i) audited consolidated financial statements of the Group for the year ended 31 December 2020; (ii) audited consolidated financial statements of the Group for the year ended 31 December 2021; and (iii) audited consolidated financial statements of the Group for the year ended 31 December 2022, together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information.

In addition, the Company is required to set out or refer to in this circular the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statements of financial position, the condensed consolidated statement of cash flows, and any other primary statements as shown in the unaudited financial results of the Group for the six months ended 30 June 2023, together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information.

The financial information of the Group for the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023 are disclosed in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months

ended 30 June 2023, which have been published on the websites of the Company (www.china-denox.com) and the Stock Exchange (www.hkexnews.hk) as follows and are incorporated by reference into this circular:

- (i) from pages 85 to 158 of the annual report of the Company for the year ended 31 December 2020 published on 26 April 2021, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042601732.pdf>
- (ii) from pages 92 to 164 of the annual report of the Company for the year ended 31 December 2021 published on 28 April 2022, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802306.pdf>
- (iii) from pages 100 to 178 of the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600860.pdf>
- (iv) from pages 16 to 31 of the interim report of the Company for the six months ended 30 June 2023 published on 26 September 2023, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0926/2023092600439.pdf>

2. INDEBTEDNESS

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had (i) secured bank overdraft of approximately RMB6.8 million; and (ii) lease liabilities of approximately RMB5 million. The secured bank overdraft was secured by the Group's bank deposit.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, mortgages or charges, contingent liabilities or guarantees.

3. MATERIAL CHANGE

The Directors confirm that, save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up to, and including the Latest Practicable Date:

- (i) the entering into of the Share Subscription Agreement;
- (ii) (a) the Group recorded a loss for the six months ended 30 June 2023 of approximately RMB9.8 million as compared to a loss for the six months ended 30 June 2022 of approximately RMB8.4 million, which was primarily attributable to the increases in the Group's selling and marketing expenses and administrative expenses between the same periods; and (b) the Group recorded a decrease in its net assets from approximately RMB188.7

million as at 31 December 2022 to approximately RMB180.9 million as at 30 June 2023. For details, please refer to the Group's unaudited interim results announcement for the six months ended 30 June 2023 on 30 August 2023.

4. WORKING CAPITAL

Taking into account the estimated net proceeds from the Share Subscription and the financial resources available to the Group, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company with its principal subsidiaries engaged in the design, development, manufacture and sales of DeNOx catalysts in the PRC.

From January to October 2023, the added value of industrial enterprises above designated size increased by 4.1% year on year. On the whole, the national economy has continued to recover, the major indicators have continued to improve, and the overall economic operation has been stable. However, it should also be noted that there are still many external unstable and uncertain factors, domestic demand is still insufficient, and the foundation for economic recovery still needs to be consolidated.

Current market situation of the industrial plate-type and honey-comb catalysts business

- (1) The market demand from catalysts for newly added units in the thermal power industry continued to decrease, and the market for normal replacement of catalysts in the existing units remains stable.
- (2) The higher technical requirements for catalyst products from catalyst market in metallurgy, coking, cement, gas turbine, waste-to-energy, petrochemical and other industries, scattered projects and smaller individual contract amount, which pose challenges for the Group.
- (3) The catalyst market in general is still in a stage of overcapacity and fierce competition. However, the Group also sees that in some industries and for some types of catalysts, there is still lack of mature engineering experience for catalyst technology worldwide, which also brings new development opportunities for catalyst enterprises with strong technical strength.

Key Work Arrangements of the Group for the Future

I. Industrial DeNOx catalysts business

- (1) Continue to strengthen market development. On the basis of maintaining the continued growth in the domestic market, the Group has already established a branch in the Italian Republic, which is expected to be a bridge between the Group and the European market, and has employed one employee thereunder as at the Latest Practicable Date and

recruitment is still undergoing. The Company also targets and plans to expand into the markets in the Republic of India and the USA by setting up branches and employing local staff therein. As at 31 October 2023, the Group has set up a local subsidiary in Europe and recruited local team members, and the Group is also preparing for the establishment of a company in India, and plans to set up a subsidiary in the United States and recruit local team members. The Company will vigorously explore sales channels in mature overseas markets in the next few years, aiming to achieve better results in the market.

- (2) While strengthening its market expansion, the Group will further deepen benchmarking with the peers, endeavour to take various measures to assure the gross profit of products, promote piece-rate system and other methods to further control staff costs and other expenses, and attach importance to cash flow indicators.

II. *DeNOx catalysts for vehicles business*

- (1) *Catalyst products for China VI Emission Standards for natural gas-powered vehicles and diesel-powered vehicles*

At present, the competition pattern of catalysts market for China VI Emission Standards for natural gas-powered and diesel-powered vehicles is becoming clearer, in which the process of replacing imported products with natural gas catalyst products of domestic enterprises is progressing rapidly, and the replacement of imported products with catalysts for diesel-powered vehicles is still ongoing and will take some time, but the overall trend is irreversible. The Group's vehicle catalyst business will adapt to the changes in the industry, and while controlling costs and expenses, we will endeavor to maintain the orders from existing customers and continue to strive to develop new OEM and aftermarket customers.

- (2) *Catalysts for diesel-powered vehicles and natural gas-powered vehicles*

In 2023, the recovery of the macro economy also led to a rebound in the vehicle sector, with the sales of commercial vehicles showing a certain degree of year-on-year growth, and the market for the upstream industry chain of vehicles, including engine, exhaust emission system, and catalyst support manufacturers, is also in the progress of recovery.

1. From January to October 2023, the Group experienced a good recovery in the orders from coating products of original equipment manufacturer (“OEM”) customers in the field of diesel-powered vehicles, resulting in a substantial increase in the capacity utilization rate of the Company.
2. While maintaining and expanding customers in the OEM market, the Group also continued to invest in the vehicle after-sales market and other markets, and obtained small sales orders in the current year.

From January to October 2023, the production of vehicle coated catalysts increased significantly compared to the same period of last year due to the rebound in orders, while the Group continued to optimize its production processes and formulations to enhance the gross profit level of its products as much as possible.

III. Strengthen the Group's technical research and development

In the first half of the year, the Group integrated the technology research and development departments of industrial catalysts and vehicle catalysts to further strengthen the Group's technical research and development capabilities. The Group will further strengthen its technical research and development in a market-oriented manner, and strive to achieve significant technological breakthroughs in emerging industries and catalyst products, so as to better support the Group's marketing and product production.

The Company intends to verify and promote the application of coating products in industrial (non-vehicle) fields, such as steel sintering, petroleum and petrochemical and other industrial fields. In view of the current high market competition pressure and low gross profit of products after the traditional catalyst business in the industrial field has entered the mature period, the Group will enhance the research and development of coating products in the industrial field. The underlying products are internationally leading, but including international peers, no manufacturers can supply mature products in the current market. The application of underlying products can save energy for customers' engineering operation, which, if successful, will have high customer acceptance, broad market prospect, and relatively considerable gross profit margin, and will be the key development direction of the Company in the next few years.

1. RESPONSIBILITY STATEMENT

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

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

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Subscription Shares will be, as follows:

(a) As at the Latest Practicable Date

<i>Authorised:</i>		<i>US\$</i>
5,000,000,000	Share of US\$0.01 each	50,000,000
<i>Issued and fully paid:</i>		
494,037,000	Share of US\$0.01 each	4,940,370

(b) Immediately following the allotment and issue of the Subscription Shares

<i>Authorised:</i>		<i>US\$</i>
5,000,000,000	Share of US\$0.01 each	50,000,000
<i>Issued and fully paid:</i>		
494,037,000	Share of US\$0.01 each	4,940,370
98,807,400	Subscription Shares to be allotted and issued under the Share Subscription of US\$0.01 each	988,074
592,844,400	Share of US\$0.01 each	5,928,444

As at the Latest Practicable Date, no share option has been granted, exercised, cancelled or lapsed under its share option scheme since its adoption.

All the Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital.

Save for the Subscription Shares to be issued under the Share Subscription, the Company had not issued any Shares since 31 December 2022.

No application is being made or is currently proposed or sought for the Shares or the Subscription Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of each of the six calendar months immediately preceding the date of the Announcement and up to the Latest Practicable Date; (ii) the last full trading day immediately preceding the release of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
31 May 2023	0.065
30 June 2023	0.070
31 July 2023	0.067
31 August 2023	0.068

Date	Closing price per Share HK\$
29 September 2023	0.058
31 October 2023	0.048
6 November 2023 (being the last full trading day immediately preceding the release of the Announcement)	0.050
30 November 2023	0.067
12 December 2023 (being the Latest Practicable Date)	0.070

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.092 on 9 May 2023 and HK\$0.04 on 2 November 2023.

4. DISCLOSURE OF INTERESTS

(A) Directors' and chief executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Ms. Zhao Shu	Beneficial owner	24,612,477 (L)	4.98%
	Interest in controlled corporation (Note 3)	153,031,609 (L)	30.98%
Mr. Li Xingwu	Interest in controlled corporation (Note 4)	51,075,015 (L)	10.34%
Mr. Li Ke	Interest in controlled corporation (Note 5)	2,962,474 (L)	0.60%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The percentages are calculated based on 494,037,000 Shares in issue as at the Latest Practicable Date.

- (3) These 153,031,609 Shares are held by Advant Performance Limited which is wholly owned by Ms. Zhao. Ms. Zhao is deemed to be interested in these Shares by virtue of the SFO.
- (4) These 51,075,015 Shares are held by EEC Technology Limited which is wholly owned by Mr. Li. Mr. Li is deemed to be interested in these Shares by virtue of the SFO. Mr. Li intends to vote for the resolution approving the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver.
- (5) These 2,962,474 Shares are held by Fine Treasure Asia Holdings Limited (“**Fine Treasure**”) which is wholly owned by Mr. Li Ke. Mr. Li Ke is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as the Directors were aware of, the following persons’ (other than the Directors and chief executive of the Company) interests or short position in the Shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Advant Performance Limited	Beneficial owner	153,031,609 (L)	30.98%
EEC Technology Limited	Beneficial owner	51,075,015 (L)	10.34%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The percentages are calculated based on the 494,037,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) having an interest or short position in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within six months before the date of the Announcement; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Director	Date of the service contract or letter of appointment	Term of service contracts or letter of appointment	Remuneration	Notice Period for termination
Ms. Zhao Shu	12 November 2021	A term of three years commencing from 12 November 2021	RMB400,000 per year ⁽¹⁾	3 months
Mr. Li Ke	12 November 2021	A term of three years commencing from 12 November 2021	RMB300,000 per year ⁽¹⁾	3 months
Mr. Li Xingwu	12 November 2021	A term of three years commencing from 12 November 2021	Nil	3 months
Ms. Chan Yeuk Wa	30 June 2023	A term of three years commencing from 30 June 2023	HK\$120,000 per year	3 months
Mr. Li Min	1 November 2023	A term of three years commencing from 1 November 2023	HK\$120,000 per year	3 months
Mr. Ong Chor Wei	12 November 2021	A term of three years commencing from 12 November 2021	HK\$120,000 per year	3 months

The Directors are eligible for re-election at the shareholders' meetings of the Company in accordance with the Listing Rules, the memorandum and articles of association of the Company and any other applicable laws. Under the letters of appointment of Ms. Zhao Shu, Mr. Li Ke, Mr. Li Xingwu, Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei, the Company shall reimburse each of them of all expenses properly and reasonably incurred by them in the performance of their duties or in connection with the business of the Company.

Notes:

- (1) The amount of annual remuneration is subject to review by the Board at its discretion and having regard to his/her duties and responsibilities.

- (2) Save as disclosed in note (1) above, none of the Directors is entitled to receive any variable remuneration from the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

A deed of non-competition dated 25 October 2015 (the “**Deed of Non-Competition**”) was entered into between the Company and the controlling Shareholders, namely Ms. Zhao Shu and Advant Performance Limited, who have undertaken to the Company that she/it would not, and would procure her/its close associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business (other than the Group’s business) that directly or indirectly, competes, or may compete, with the Group’s business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time, unless otherwise permitted according to the Deed of Non-Competition. The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their close associates with the Deed of Non-Competition.

Each of Ms. Zhao Shu and Advant Performance Limited, the controlling shareholders (within the meaning of the Listing Rules) of the Company, has confirmed to the Company that each of them and its close associates has complied with the non-compete undertaking given by her/it to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the status of compliance and enforcement of the noncompete undertaking and confirmed that all the undertakings thereunder have been complied with up to the Latest Practicable Date.

8. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date, other than the Share Subscription Agreement:

- (a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber, Ms. Zhao Shu and the parties acting in concert with any of them and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Subscription Agreement or the Whitewash Waiver;

- (b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the Share Subscription Agreement or the Whitewash Waiver;
- (c) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director regarding any benefit to any Director as compensation for loss of office or otherwise in connection with the Share Subscription Agreement or the Whitewash Waiver; and
- (d) none of the Directors was materially interested in any material contract entered into by the Subscriber.

9. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, other than the holdings of Shares and the Subscription Shares which are proposed to be subscribed for under the Share Subscription as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the “Letter from the Board” in this circular, the Subscriber confirms that:

- (a) save for the Share Subscription Agreement, none of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them has dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months immediately prior to and including the date of the Announcement and ending of the Latest Practicable Date;
- (b) other than the Share Subscription, none of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the date of the Announcement and the Completion;
- (c) save as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the “Letter from the Board” in this circular, there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them;
- (d) none of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them holds any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (e) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them;

- (f) save for the Share Subscription Agreement, there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) between the Subscriber, or any person acting in concert with the Subscriber, and any other persons in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Share Subscription Agreement and/or the Whitewash Waiver;
- (g) none of the Subscriber, Ms Zhao Shu or parties acting in concert with any of them has received any irrevocable commitment from any person as to whether they will vote for or against the resolution approving the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver;
- (h) save for the Share Subscription Agreement, there are no agreements or arrangements to which the Subscriber is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Subscription or the Whitewash Waiver;
- (i) none of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (j) none of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them had intention to transfer, charge or pledge the Subscription Shares to any other persons upon Completion;
- (k) save for the Subscription Price for the Subscription Shares payable under the Share Subscription Agreement, none of the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in relation to the Share Subscription;
- (l) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between, the Subscriber, Ms. Zhao Shu or parties acting in concert with any of them on the one hand and any of the Shareholders on the other hand; and
- (m) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, Ms. Zhao Shu or parties acting in concert with them on the one hand and the Company, its subsidiaries or associated companies on the other hand.

As at the Latest Practicable Date, other than the Subscription Shares which are proposed to be subscribed for under the Share Subscription as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the “Letter from the Board” in this circular, the Company confirms that:

- (a) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on the one hand and any of the Shareholders on the other hand;
- (b) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, Ms. Zhao Shu or parties acting in concert with them on the one hand and the Company, its subsidiaries or associated companies on the other hand;
- (c) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person; and
- (e) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.

10. DEALINGS IN SHARES

During the Relevant Period,

- (a) save for the Share Subscription Agreement, neither the Subscriber nor any of the parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares or had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company;
- (b) none of the directors of the Subscriber had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;

- (c) there were no Shares or convertible securities, warrants, options and derivatives of the Company which the Subscriber or the parties acting in concert with it, or the Directors have borrowed or lent;
- (d) the Company had not dealt for value in any shares of the Subscriber or convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber;
- (e) none of the Directors had dealt for value in any shares of the Subscriber or convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber or any Shares or convertible securities, warrants, options and derivatives in respect of the Shares.
- (f) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (g) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (h) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

11. LITIGATION

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

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the members of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, which are or may be material:

- (a) the Share Subscription Agreement; and

(b) the Financial Lease Agreement.

13. EXPERTS

The following sets out the name and qualification of the experts who have given opinion or advice which is contained in this circular:

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

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their letters, reports, advice and/or references to its name in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

14. CORPORATE AND OTHER INFORMATION

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

The joint company secretaries of the Company are Mr. Liu Lianchao and Ms. Yu Anne.

The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harbour Road, Hong Kong.

The principal place of business of the Independent Financial Adviser is Unit 402B, 4/F, China Insurance Group Building, No. 141 Des Voeux Road Central, Central, Hong Kong.

The registered office of the Subscriber is located at Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The correspondence address of the Subscriber is located at Room 1506, Building 2, Nuode Centre, No. 128 Western South Fourth Ring Road, Fengtai District, Beijing, PRC. As at the

Latest Practicable Date, the director of the Subscriber is Ms. Zhao Shu. The correspondence address of Ms. Zhao is Room 1506-1, 12th Floor Block 2, No. 128 Western South Fourth Ring Road, Fengtai District Beijing 100070, PRC.

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

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk), the SFC (www.sfc.hk) and the Company (www.china-deno.com) from the date of this circular up to the date of the EGM:

- (a) this circular;
- (b) the third amended and restated memorandum and articles of association of the Company;
- (c) the articles of association of the Subscriber;
- (d) the published annual reports of the Company containing audited consolidated financial statements of the Company for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the interim reports of the Company for the six months ended 30 June 2022 and 30 June 2023;
- (e) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (f) the letter from the Connected Transaction IBC, the text of which is set out in the section headed “Letter from the Connected Transaction IBC” in this circular;
- (g) the letter from the Whitewash Waiver IBC, the text of which is set out in the section headed “Letter from the Whitewash Waiver IBC” in this circular;
- (h) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (i) the written consents referred to in the paragraph headed “13. Experts” in this Appendix;
- (j) the material contracts referred to in the paragraph headed “12. Material Contracts” in this Appendix; and
- (k) the service contracts referred to in the paragraph headed “5. Directors’ service contracts” in this Appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED 迪諾斯環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1452)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Denox Environmental & Technology Holdings Limited (the “**Company**”) will be held at 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong on 5 January 2024, Friday at 10:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolution and special resolution of the Company:

ORDINARY RESOLUTION

1. **THAT**

- (a) the share subscription agreement (the “**Share Subscription Agreement**”) dated 6 November 2023 and entered into between the Company and Advant Performance Limited (the “**Subscriber**”) in relation to the Share Subscription and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the Share Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Share Subscription Agreement (the “**Specific Mandate**”), be and are hereby approved and the Board be and is hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Share Subscription Agreement; and
- (c) the Board be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Share Subscription Agreement and the transactions contemplated thereunder, including to the Specific Mandate, and the allotment and issue of the Subscription Shares and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.

SPECIAL RESOLUTION

2. **THAT** subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the “**Whitewash Waiver**”) of the obligation on the part of the Subscriber to make a mandatory general offer for all the

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

issued shares and other securities of the Company (other than those already owned or agreed to be acquired by Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Share Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.

By Order of the Board
Denox Environmental & Technology Holdings Limited
Zhao Shu
Chairlady

Hong Kong, 15 December 2023

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 15 December 2023 (the “**Circular**”). Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Circular.
2. Any member of the Company entitled to attend and vote at the meeting or any adjournment thereof (as the case may be) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harbour Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.
4. For determining the entitlement of Shareholders who are entitled to attend and vote at forthcoming EGM, the register of members of the Company will be closed from Tuesday, 2 January 2024 to Friday, 5 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harbour Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 29 December 2023.
5. The EGM is expected to last for less than one day. The Shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.

As at the date of this notice, the Board comprises Ms. Zhao Shu and Mr. Li Ke as executive Directors; Mr. Li Xingwu as non-executive Director; and Ms. Chan Yeuk Wa, Mr. Li Min and Mr. Ong Chor Wei as independent non-executive Directors.