THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 shares in **China Environmental Technology Holdings Limited**, you should at once forward this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CETH

CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
中國環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 646)

(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) NEW SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent to the Company

滿好證券 CHEER UNION SECURITIES LTD

Cheer Union Securities Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

德林證券 DL SECURITIES

DL Securities (HK) Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 13 to 54 of this circular. A notice convening the EGM to be held on Thursday, 26 November 2026 at 11:00 a.m. at Room 3216, Block A, Pengrun Building, 26 Xiaoyun Road, Chaoyang District, Beijing, the People's Republic of China is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at https://www.cethl.com/.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If the Rights Issue is not fully subscribed, the number of Rights Shares that are not subscribed by the Qualifying Shareholders or renouncees or transferees of the Nil-paid Rights under the PALs (i.e. the Unsubscribed Rights Shares) and for the NQS Unsold Right Shares will be placed to independent Placees on a best effort basis through the Placing. The Unsubscribed Rights Shares that are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue.

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 21 December 2026. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 6 January 2027 to Wednesday, 13 January 2027 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the extraordinary general meeting (i.e. before 11:00 a.m. on Tuesday, 24 November 2026), or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

6 November 2026

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In this circular, unless the context otherwise requires, the following terms shall have the following meaning:

"2021 Due Convertible Bonds"	the 8% coupon convertible bonds which were due 2021 in the aggregate principal amount of US$7,000,000 issued by the Company to Sure Fast Enterprises Limited on 19 July 2018
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcements"	the announcements of the Company dated 1 September 2026, 11 September 2026, 30 September 2026, 20 October 2026 and 3 November 2026 in relation to, among other things, the Capital Reorganisation, the Rights Issue and the Placing Agreement
"Articles"	the amended and restated articles of association of the Company, as amended from time to time
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and Sunday and any day on which "extreme conditions" caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"Capital Reduction"	the proposal for the reduction of the par value of the issued Consolidated Shares from HK$1.00 each to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.99 on each issued Consolidated Share and the cancellation of any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation immediately after the Share Consolidation
"Capital Reorganisation"	the proposed reorganisation of the capital of the Company by way of (i) Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Subdivision

"CB Holders' Undertakings"	the undertaking(s) by the holders of the convertible bonds, whereby each of the relevant holders of the convertible bonds irrevocably undertakes, represents and warrants to the Company (i) that the Convertible Bonds will remain registered in the name of and beneficially owned by him/her/it; and (ii) not to exercise any of the conversion rights attaching to the Convertible Bonds (or any part thereof) for the period from the date of such undertaking up to and including the close of business of the Record Date
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Classy Jade"	Classy Jade Limited, a company owned as to (i) 66% by Mr. Xu; (ii) 17% by Wei Jingyuan; and (iii) 17% by Zheng Guomin, and which owns 60% of the issued share capital of Gentle, and which is interested in 35,880,000 Shares. Each of Wei Jingyuan and Zheng Guomin is an Independent Third Party
"Committed Shares"	an aggregate of 274,541,760 Rights Shares to be offered to and subscribed by Mr. Xu under the Undertaking in respect of the 91,513,921 Existing Shares or 45,756,960 Consolidated Shares registered in his name and his controlled corporations as at the Latest Practicable Date
"Companies Act"	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"Company"	China Environmental Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 646)
"Compensatory Arrangements"	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Share(s)"	the ordinary share(s) of par value of HK$1.00 each in the capital of the Company immediately after the Share Consolidation but prior to the Capital Reduction
"controlling shareholder"	has the same meaning ascribed thereto under the Listing Rules
"Convertible Bonds"	the convertible bonds issued by the Company in the aggregate principal amount of US$1,200,000
"Director(s)"	the director(s) of the Company
"ES Unsold Rights Share(s)"	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) in nil-paid form that has/have not been sold by the Company
"Existing Share(s)"	the ordinary share(s) of par value of HK$0.5 each in the share capital of the Company
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Capital Reorganisation and the Rights Issue
"General Rules of HKSCC"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Gentle"	Gentle International Holdings Limited, a company owned as to 60% by Classy Jade and which is interested in 53,429,000 Shares
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	the independent board committee of the Company comprising Mr. Tse Chi Wai, Professor Geng Lin, Professor Zhu Nanwen and Professor Li Jun, being all the independent non-executive Directors, which has been established under the Listing Rules to advise and give recommendations to the Independent Shareholders in respect of the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "DL Securities"	DL Securities (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
"Independent Shareholders"	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
"Independent Third Party(ies)"	third parties independent of and not connected with the Company and its connected person and not connected with any of them or their respective associates
"Last Trading Day"	1 September 2026, being the last full trading day of the Shares on the Stock Exchange as at the date of the first Announcement dated 1 September 2026
"Latest Practicable Date"	4 November 2026, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on Monday, 18 January 2027 (or such later time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
"Latest Time for Termination"	4:00 p.m. on Friday, 29 January 2027, (or such later time or date as may be agreed between the Company and the Placing Agent) being the latest time for termination of the Placing Agreement
"Listing Committee"	has the meaning ascribed thereto under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Xu"	Mr. Xu Zhongping, a shareholder directly and indirectly interested in an aggregate of 91,513,921 Shares as at the Latest Practicable Date, representing 26.70% of the issued share capital of the Company, an executive Director and the chief executive officer of the Company
"Net Gain"	the premium paid by the Placees over the Subscription Price for the Placing Shares placed by the Placing agent
"Net Proceeds"	the proceeds raised by the Rights Issue after deducting the relevant expenses
"New Share(s)"	the ordinary share(s) of par value of HK$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
"Nil Paid Rights"	rights to subscribe for Rights Shares before the Subscription Price is paid
"No Action Shareholder(s)"	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinion(s) provided by the legal adviser(s) to the Company, consider it necessary or expedient not to offer the Rights Issue on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"NQS Unsold Rights Shares"	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/ have not been sold by the Company
"Optionholder's Undertaking(s)"	the undertaking(s) by the holders of the Share Options, whereby each of the relevant holders of the Share Option irrevocably undertakes, represents and warrants to the Company that he/she/it will not exercise such Share Options held by him/her/it for the period from the date of such undertaking up to and including the close of business of the Record Date
"Overseas Shareholder(s)"	Shareholders whose address on the register of members of the Company are outside Hong Kong on the Record Date

"PAL(s)" or "Provisional Allotment Letter(s)"	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders
"Placee(s)"	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement
"Placing"	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best efforts basis by the Placing Agent and/or its sub-placing agent(s) to the placees on the terms and subject to the conditions set out in the Placing Agreement
"Placing Agent" or "Cheer Union"	Cheer Union Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Placing Agreement"	the placing agreement dated 1 September 2026 entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
"Placing Shares"	the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to be placed to the Placee(s) by the Placing Agent
"Prospectus"	the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
"Prospectus Documents"	the Prospectus and the PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
"Prospectus Posting Date"	the date for the despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
"Qualifying Shareholder(s)"	Shareholders whose names appear on the register of members of the Company at 4:00 p.m. on the Record Date, other than the Non-Qualifying Shareholders
"Record Date"	Wednesday, 30 December 2026, being the record date to determine entitlements under the Rights Issue

"Registrar"	the branch share registrar of the Company in Hong Kong, being Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
"Rights Issue"	the proposed issue of up to 1,028,093,814 Rights Shares at the Subscription Price on the basis of six (6) Rights Shares for every one (1) New Share held at the close of business on the Record Date payable in full on acceptance and subject to the conditions set out in the Prospectus Documents
"Rights Share(s)"	the New Share(s) to be allotted and issued by the Company under the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (as amended and supplemented from time to time)
"Share Consolidation"	the proposed consolidation of every two (2) Existing Shares of par value of HK$0.50 each into one (1) Consolidated Share of par value of HK$1.00 each in the share capital of the Company
"Share Subdivision"	the proposed subdivision of each authorised but unissued Consolidated Share of par value of HK$1.00 into one hundred (100) New Shares of par value of HK$0.01 each
"Share Option Scheme"	the share option scheme of the Company adopted on 10 September 2010
"Share Options"	the share options granted by the Company pursuant to the Share Option Scheme which give holders thereof the rights to subscribe for Shares at the exercise price determined in accordance with the rules of the Share Option Scheme
"Share(s)"	the Existing Share(s), Consolidated Share(s) and/or New Share(s) (as the case may be)
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.185 per Rights Share
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rule
"Unsubscribed Rights Shares"	Rights Shares that are not subscribed by the Qualifying Shareholders

"US$"	United States dollar, the lawful currency of the United States of America
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"%"	per cent.

All times stated in this circular refer to Hong Kong times and dates. Any changes to the anticipated timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

Events	**Date**
Latest time for lodging transfers of Existing Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 19 November 2026
Closure of register of members of the Company for attending and voting at the EGM (both dates inclusive)	Friday, 20 November 2026 to Thursday, 26 November 2026
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 24 November 2026
Record date for determining attendance and voting at the EGM	Thursday, 26 November 2026
Expected date and time of the EGM	11:00 a.m. on Thursday, 26 November 2026
Announcement of the poll result of the EGM	Thursday, 26 November 2026
Register of members re-opens	Friday, 27 November 2026
Effective date of the Capital Reorganisation	Friday, 18 December 2026
Commencement of dealings in the New Shares	9:00 a.m. on Friday, 18 December 2026
Original counter for trading in Existing Shares in board lot of 8,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 18 December 2026
Temporary counter for trading in the New Shares in board lot of 4,000 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 18 December 2026
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the New Shares	Friday, 18 December 2026
Last day of dealings in the New Shares on cum-rights basis relating to the Rights Issue	Friday, 18 December 2026
First day of dealings in the New Shares on ex-rights basis relating to the Rights Issue	Monday, 21 December 2026

Events	Date
Latest time for the Shareholders to lodge transfer of New Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 22 December 2026
Closure of register of members to determine entitlements to the Rights Issue (both days inclusive)	Wednesday, 23 December 2026 to Wednesday, 30 December 2026
Record date for determining entitlements to the Rights Issue	Wednesday, 30 December 2026
Register of members of the Company re-opens	Thursday, 31 December 2026
Despatch of (i) Prospectus Documents to Qualifying Shareholders; and (ii) the Prospectus with the Overseas Letter to Non-Qualifying Shareholders (if any)	Monday, 4 January 2027
Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares	9:00 a.m. on Tuesday, 5 January 2027
Original counter for trading in the New Shares in board lots of 10,000 New Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 5 January 2027
Parallel trading in the New Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Tuesday, 5 January 2027
First day of dealings in nil-paid Rights Shares in board lots of 10,000 New Shares	Wednesday, 6 January 2027
Latest time for splitting of PAL	4:30 p.m. on Friday, 8 January 2027
Last day of dealings in nil-paid Rights Shares in the board lots of 10,000 New Shares	Wednesday, 13 January 2027
Latest time to lodge transfer of nil-paid Rights Shares to qualify for the payment of Net Gain	4:00 p.m. on Monday, 18 January 2027
Latest time for acceptance and payment of the Rights Issue	4:00 p.m. on Monday, 18 January 2027
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares	Wednesday, 20 January 2027

Events	Date
Commencement of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Thursday, 21 January 2027
Designated broker ceases to provide matching services for odd lots of the New Shares	4:00 p.m. on Monday, 25 January 2027
Temporary counter for trading in board lots of 4,000 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Monday, 25 January 2027
Parallel trading in New Shares (in the form of both existing share certificates and new share certificates) ends	4:10 p.m. on Monday, 25 January 2027
Latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	6:00 p.m. on Thursday, 28 January 2027
Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the New Shares	Wednesday, 27 January 2027
Latest Time for Termination	4:00 p.m. on Friday, 29 January 2027
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares)	Friday, 5 February 2027
Despatch of refund cheques (if the Rights Issue is terminated)	Wednesday, 10 February 2027
Despatch of share certificates for fully-paid Rights Shares	Wednesday, 10 February 2027
Commencement of dealings in fully-paid Rights Shares	Thursday, 11 February 2027
Designated broker starts to stand in the market to provide matching services for odd lots of Rights Shares	Thursday, 11 February 2027
Payment of Net Gain relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any)	Monday, 22 February 2027
Designated broker ceases to provide matching services for odd lots of Rights Shares	Wednesday, 3 March 2027

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place at 4:00 p.m. on Monday, 18 January 2027 if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning or "extreme conditions" is:

(a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place at 4:00 p.m. on the date of the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same day instead; or

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place on the date of the Latest Time for Acceptance, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the date of the Latest Time for Acceptance, the dates mentioned in the section headed "Expected Timetable" in this circular may be affected. An announcement will be made by the Company in such event as soon as practicable.

CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
中國環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 646)

Executive Directors:
Mr. Xu Jingping *(Chairman of the Board)*
Mr. Xu Zhongping *(Chief Executive Officer)*
Mr. Yang Baodong

Non-executive Directors:
Ms. Hu Yueyue
Mr. Ma Tianfu
Mr. Wang Youming

Independent non-executive Directors:
Mr. Tse Chi Wai
Prof. Geng Lin
Prof. Zhu Nanwen
Prof. Li Jun

Registered office:
Vistra (Cayman) Limited
P.O. Box 31119, Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

Head Office and principal place of business:
Unit 901, New Tech Plaza
34 Tai Yau Street
San Po Kong
Kowloon, Hong Kong

6 November 2026

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION; (2) PROPOSED CHANGE IN BOARD LOT SIZE; (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) NEW SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcements, in relation to, among other matters, the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of the Capital Reorganisation, the Rights Issue and the Placing Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Capital Reorganisation, the Rights Issue and the Placing Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Capital Reorganisation, the Rights Issue and the Placing Agreement; and (iv) a notice convening the EGM.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will involve the Share Consolidation, Capital Reduction and Share Subdivision as follows:

(i) Share Consolidation

Immediately before the Capital Reduction becoming effective, every two (2) issued and unissued Existing Shares of par value of HK$0.5 each will be consolidated into one (1) Consolidated Share of par value of HK$1.00 each;

(ii) Capital Reduction

The issued share capital of the Company will be reduced by cancelling the paid-up share capital of the Company to the extent of HK$0.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$1.00 to HK$0.01. The credit arising from the Capital Reduction in the amount of approximately HK$169.6 million will be transferred to a contributed surplus account of the Company and the contributed surplus account will be applied by the Directors for such purposes permitted under the Companies Act and the Articles; and

(iii) Share Subdivision

Immediately following the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK$1.00 each in the authorised share capital of the Company will be subdivided into one hundred (100) authorised but unissued New Shares of par value of HK$0.01 each. Immediately following the Share Subdivision becoming effective, the authorised share capital of the Company be changed to HK$500,000,000 by the creation of such number of additional New Shares as shall be sufficient to increase the authorised share capital of the Company into HK$500,000,000 divided into 50,000,000,000 shares of a par value of HK$0.01 each.

Effect of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$500,000,000 divided into 1,000,000,000 Existing Shares of par value of HK$0.5 each, of which 342,697,938 Existing Shares have been issued and are fully-paid or credited as fully-paid. Upon the Share Consolidation becoming effective but before the completion of the Capital Reduction and Rights Issue and assuming no change in the number of Shares in issue from the date of this circular to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK$500,000,000 divided into 500,000,000 Consolidated Shares of HK$1 each, of which 171,348,969 Consolidated Shares (which are fully-paid or credited as fully-paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Immediately upon the Capital Reduction becoming effective and assuming no further Shares will be issued or repurchased from the date of this circular up to and including the date of which the Capital Reorganisation shall become effective, the par value of all the issued Consolidated Shares shall be reduced from HK$1 each to HK$0.01 each by cancelling the paid-up share capital to the extent of HK$0.99 per Consolidated Share in issue.

Upon the Share Subdivision becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK$1 each will be subdivided into one hundred (100) authorised but unissued New Shares of par value of HK$0.01 each.

The New Shares will rank pari passu in all respects with each other and shall have the rights and privileges and be subject to the restrictions in accordance with the Articles. The issued share capital will be reduced to HK$1,713,489.69 divided into 171,348,969 New Shares of par value of HK$0.01 each.

Based on the 342,697,938 Existing Shares in issue as at the Latest Practicable Date, a credit of HK$169,635,479.31 will arise from the Capital Reduction, which will be transferred to a contributed surplus account of the Company and the contributed surplus account will be applied by the Directors for such purposes permitted under the Companies Act and the Articles.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net liabilities of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Assuming that there is no change in the issued share capital of the Company from the date of this circular until the effective date of the Capital Reorganisation, the share capital structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation but prior to the Capital Reduction and the Share Subdivision becoming effective; and (iii) immediately after the implementation of the Capital Reorganisation is summarised below:

	As at the Latest Practicable Date	Immediately after the completion of the Share Consolidation but prior to the Capital Reduction	Immediately after the implementation of the Capital Reorganisation
Amount of authorised share capital	HK$500,000,000	HK$500,000,000	HK$500,000,000
Par value	HK$0.50	HK$1.00	HK$0.01
Number of authorised shares	1,000,000,000 Existing Shares	500,000,000 Consolidated Shares	50,000,000,000 New Shares
Number of issued shares	342,697,938 Existing Shares	171,348,969 Consolidated Shares	171,348,969 New Shares
Amount of issued share capital	HK$171,348,969	HK$171,348,969	HK$1,713,489.69

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

(i) the passing of a special resolution by the Shareholders approving the Capital Reorganisation at the EGM;

(ii) the Stock Exchange granting the listing of, and permission to deal in the New Shares in issue and to be issued upon the Capital Reorganisation being effective;

(iii) the Directors signing the solvency statement (the "**Solvency Statement**") in accordance with the requirements of the Companies Act;

(iv) registration by the Registrar of Companies in the Cayman Islands with a copy of the Solvency Statement and the EGM minutes which approved the Capital Reduction; and

(v) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Capital Reduction and Share Subdivision.

For the avoidance of doubt, the Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the Company will file the requisite documents with the Registrar of Companies in the Cayman Islands. It is expected that the Capital Reduction and the Share Subdivision shall be completed and take effect immediately following the Share Consolidation.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Application for listing and dealings

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

None of the Existing Shares or any debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Status of the New Shares

The New Shares will be identical and rank pari passu in all respects with each other. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, the Shareholders may, on or after Friday, 18 December 2026 until Wednesday, 27 January 2027 (both days inclusive), submit share certificates for the Existing Shares to the Registrar, to exchange, at the expense of the Company, for new share certificates for the New Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever the number of certificates cancelled/issued is higher. All existing share certificates of the Company will continue to be evidence of title to the Shares and continue to be valid for trading, settlement, registration and delivery purposes.

The new share certificates for the New Shares will be issued in another colour in order to distinguish them from the existing share certificates.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Shares arising from the Share Consolidation, the Company has appointed Cheer Union Securities Limited as a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares during the period from 9:00 a.m. on Tuesday, 5 January 2027 to 4:00 p.m. on Monday, 25 January 2027. Shareholders who wish to take advantage of this facility should contact Kant Fung of Cheer Union Securities Limited at Unit 1907, 19/F., Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong or at telephone number (852) 3899 8502 from 9:00 a.m. on Tuesday, 5 January 2027 to 4:00 p.m. on Monday, 25 January 2027 (both dates inclusive). Holders of odd lots of the Shares should note that the matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares in issue are trade on the Stock Exchange in the board lot size of 8,000 Existing Shares. It is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange be changed from 8,000 Existing Shares to 10,000 New Shares.

Based on the closing price of HK$0.255 per Existing Share (equivalent to the theoretical closing price of HK$0.510 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK$2,040; (ii) the value of each board lot of 8,000 New Shares would be HK$4,080 on the assumption that the Capital Reorganisation becomes effective; and (iii) the value of each board lot of 10,000 New Shares would be HK$5,100 on the assumption that the change in board lot size has also become effective.

The change in board lot size will not result in any change in relative rights of the Shareholders.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK$0.01 or HK$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. The "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in June 2026 (the "**Guide**") has further stated that (i) market price of the shares at a level less than HK$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK$1,000; and (iii) to adopt one of the eight standardised board lot units, i.e. 1, 50, 100, 500, 1,000, 2,000, 5,000 and 10,000.

As at the Latest Practicable Date, the closing price of the Existing Share is HK$0.255 per Existing Share, with a board lot size of 8,000 Shares, the existing board lot value is HK$2,040, which is in compliance with the trading requirement under the Guide. However, the board lot units does not meet the above standardised board lot units under the Guide.

In view of the recent trading prices of the Existing Shares at the level close to HK$0.10 over the past three months (based on the closing price per Existing Share as quoted on the Stock Exchange) and the board lot value of close to HK$1,000, the Board considers there is a certain possibility that the future market price of the Shares and the board lot value may fail to comply with the trading requirement under the Guide. Therefore, the Board proposes to implement the Share Consolidation in order to reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation would bring about a corresponding upward adjustment in the market price of the Consolidated Shares which would ensure the Company will continue to comply with the trading requirements under the Listing Rules. Assuming that the Capital Reorganisation has become effective, based on the closing price of HK$0.255 per Existing Share (equivalent to the theoretical closing price of HK$0.510 per New Share) as quoted on the Stock Exchange at the Latest Practicable Date and with a board lot size of 10,000 New Shares, the theoretical value of each board lot of the New Shares would be HK$5,100.

Upon the Share Consolidation becoming effective but before implementation of the Capital Reduction, the par value of the Existing Shares will be consolidated from HK$0.5 into HK$1.00 per Consolidated Share. Pursuant to the Companies Act, the Company may not issue Shares at a discount to the par value of such Shares without court sanction. As the Subscription Price, which was determined with reference to the prevailing market price of the Existing Shares and at a discount to the recent closing prices of the Existing Shares with a view to encouraging the Shareholders to participate in the potential growth of the Company, is below the par value of each Consolidated Share, the Company is not permitted to issue the Rights Shares under the Companies Act until and unless the par value of each Consolidated Share is reduced pursuant to the Capital Reorganisation. In order to facilitate the proposed Rights Issue and any possible fund raising activities in the future, it is necessary to implement the Capital Reorganisation to lower the par value of the Shares, giving greater flexibility to the Company to issue new Shares in the future.

Additionally, the credit in the contributed surplus account arising from the Capital Reorganisation will enable the Company to utilise for the purposes permitted under the Companies Act and the Articles.

In view of the above, the Board considers that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save as disclosed in respect of the Rights Issue, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation.

PROPOSED RIGHTS ISSUE

The Company proposes subject to, among other things, the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of six (6) Rights Shares for every one (1) New Share held by the Qualifying Shareholders at the close of business on the Record Date.

Further details of the Rights Issue are set out below:

Issue statistic

Basis of the Rights Issue	:	Six (6) Rights Shares for every one (1) New Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.185 per Rights Share
Net price per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK$0.1793 per Rights Share (on the basis that all Rights Shares will be taken up)
Number of Existing Shares in issue as at the Latest Practicable Date	:	342,697,938 Existing Shares
Number of New Shares in issue upon the Capital Reorganisation becoming effective	:	171,348,969 New Shares (assuming there is no further issue or repurchase of Shares up to the effective date of the Capital Reorganisation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Assuming no change in the number of issued Shares on or before the Record Date (other than as a result of the Capital Reorganisation) and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, up to 1,028,093,814 Rights Shares will be issued, representing (i) 600% of the issued share capital of the Company as at the date of the completion of the Capital Reorganisation; and (ii) 85.71% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares

Total number of Shares in issue immediately upon completion of the Rights Issue	:	Up to 1,199,442,783 New Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than in relation to the Capital Reorganisation) and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Up to approximately HK$190.20 million
Net proceeds from the Rights Issue	:	Up to approximately HK$184.33 million
Rights of excess application and underwriter	:	There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten
Compensatory Arrangements	:	Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly

The theoretical dilution effect of the Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights issue is in compliance with Rule 7.27B of the Listing Rules.

Subscription Price

The Subscription Price of HK$0.185 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

Each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to the Qualifying Shareholder's shareholding in the Company held on the Record Date.

The Subscription Price represents (assuming the Capital Reorganisation has become effective as at the Latest Practicable Date and there is no change in the number of Shares in issue from the Latest Practicable Date to the Record Date other than the Capital Reorganisation):

(a) a discount of approximately 63.73% to the adjusted closing price of HK$0.510 per New Share (based on the closing price of HK$0.255 per Existing Shares as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation);

(b) a discount of approximately 21.61% to the adjusted closing price of HK$0.236 per New Share (based on the average closing price of HK$0.118 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(c) a discount of approximately 21.34% to the adjusted average closing price of approximately HK$0.2352 per New Share (based on the average closing price of HK$0.1176 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(d) a discount of approximately 25.28% to the adjusted average closing price of approximately HK$0.2476 per New Share (based on the average closing price of approximately HK$0.1238 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(e) a discount of approximately 3.80% to the theoretical ex-rights price of approximately HK$0.1923 per New Share as adjusted for the effect of the Rights Issue, based on the adjusted closing price of HK$0.236 per New Share (based on the closing price of HK$0.118 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation as quoted on the Stock Exchange on the Last Trading Day; and

(f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 18.52% to the theoretical diluted price of approximately HK$0.1923 per New Share based on the benchmarked price of approximately HK$0.236 per New Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.118 per Existing Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK$0.1176 per Existing Share, and the effect of the Capital Reorganisation).

The Subscription Price and the Rights Issue size were determined taking into consideration of (i) the short-term indebtedness of the Group; (ii) the funding needs and intended use of proceeds of the Rights Issue; (iii) the stressed financial position of the Group, particularly the net current liabilities of the Group of approximately HK$546.37 million as at 30 June 2026; and (iv) the prevailing market prices of the Shares.

The Share prices have been showing a fluctuating decline trend in the prices of the Shares from 1 January 2026 up to and including the Last Trading Day (the "**Reference Period**"), with closing price falling from HK$0.164 on 1 January 2026 per Share to HK$0.118 per Share on the Last Trading Day, representing a decrease of approximately 28.05%. Meanwhile, the trading volume of the Shares during the Reference Period was thin. The average daily trading volume was approximately 120,000 Shares, representing less than 0.1% of the current issued share capital of 342,697,938 Shares. In view of the declining trend of Share prices and thin trading volume and after having considered the amount of funds the Company intends to raise under the Rights Issue for the purposes described in the section headed "Use of Proceeds And Reasons For And Benefits Of The Rights Issue" in this circular, particularly majority of the net proceeds from the Rights Issue (over 80%) is intended to be utilised for improvement of the net liabilities position of the Group. The Directors consider that the Subscription Price must be set at a relatively deep discount to the current market price of the Shares in order to enhance the attractiveness of the Rights Issue, and in turn encourage the Shareholders to participate in the Rights Issue, and accordingly allow them to maintain their shareholdings in the Company and participate in the future growth and development of the Group. The Rights Issue size of six (6) Rights Shares for every one (1) New Share is considered the most appropriate size to match the identified funding needs and Subscription Price.

Based on the above, the Board (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price and the Rights Issue size) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

(a) the Capital Reorganisation having become effective;

(b) the passing of the resolution for approving the Rights Issue at the EGM by the Independent Shareholders;

(c) the grant (or agreement to grant) by the Listing Committee of the Stock Exchange and such grant not having withdrawn or revoked) of the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);

(d) the delivery of the Prospectus Documents to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Posting Date;

(e) the publication of the Prospectus on the website of the Stock Exchange and the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date;

(f) compliance with the requirements under the applicable laws and regulations of Hong Kong; and

(g) the Placing Agreement not being terminated on or before the Latest Time for Termination.

All conditions set out above cannot be waived by any party. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the conditions have been satisfied.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

Status of the Rights Shares

The Rights Shares (when allotted, fully-paid or credited as fully-paid and issued) will rank pari passu in all respects among themselves and with the existing Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Subject to the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Despatch Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholders for their information only.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the existing Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 22 December 2026 (Hong Kong time).

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 23 December 2026 to Wednesday, 30 December 2026 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of six (6) Rights Shares for every one (1) New Share held by the Qualifying Shareholders as at the close of business on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis by the Placing Agent under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken-up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (a) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and (b) does not result in non-compliance with the public float requirement under Rule 13.32B of the Listing Rules.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there was 1 Shareholder with registered address in the Cayman Islands and 1 Shareholder with registered address in the British Virgin Islands. Save as disclosed, no other Shareholders have a registered address situated outside Hong Kong.

The Company is currently in the process of engaging legal advisers in the Cayman Islands and the British Virgin Islands to advise on the legal and regulatory requirements applicable to the Rights Issue, including any restrictions under the relevant laws of such jurisdictions or the requirements of the relevant regulatory authorities or stock exchanges, in respect of the participation of Overseas Shareholders located in the Cayman Islands and the British Virgin Islands. The Company is in the course of obtaining the relevant legal opinions and will, upon receipt thereof, assess whether it is necessary or expedient to exclude such Overseas Shareholders from the Rights Issue in compliance with the applicable laws and regulations. Further update is expected to be disclosed in the Prospectus. The Company notes the requirements specified in section 140 of the Companies Ordinance and Rule 13.36(2) of the Listing Rules and will only exclude the Overseas Shareholders from the Rights Issue whom the Directors, after making enquiries, consider it necessary or expedient to exclude on account of either the legal restrictions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. The basis of exclusion of the Non-Qualifying Shareholders from the Rights Issue, if any, will be disclosed in the Prospectus. The Company will not offer the Rights Shares to the Non-Qualifying Shareholders. Accordingly, no provisional allotment of Rights Shares will be sent to the Non-Qualifying Shareholders. The Company will, subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) where the Non-Qualifying Shareholders are located and to the extent reasonably practicable, send copies of the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send any PAL to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before dealings in the nil-paid Rights Shares end, if a premium in excess of all expenses of sale can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to the Non-Qualifying Shareholders (pro-rata to their respective entitlements on the Record Date and round down to the nearest cent) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not less than HK$100. In view of administrative costs, the Company will retain individual amount of less than HK$100 for its own benefit.

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Compensatory Arrangements together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Application for the Rights Shares

The PALs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Certificates of the Rights Shares

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 10 February 2027, to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Rights Shares, expect for HKSCC Nominees Limited.

Refund cheques are expected to be posted on or before Wednesday, 10 February 2027 by ordinary post, at the respective Shareholders' own risk, to their registered addresses if the Rights Issue is terminated.

No fractional entitlement to the Rights Shares

On the basis of provisional allotment of six (6) Rights Shares for every one (1) New Share held, no fractional entitlement to Rights Shares shall arise.

Odd lots arrangement

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, the Company has appointed Cheer Union Securities Limited as a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares during the period from 9:00 a.m. on Thursday, 11 February 2027 to 4:00 p.m. on Wednesday, 3 March 2027. Shareholders who wish to take advantage of this facility should contact Kant Fung of Cheer Union Securities Limited at Unit 1907, 19/F., Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong or at telephone number (852) 3899 8502 from 9:00 a.m. on Thursday, 11 February 2027 to 4:00 p.m. on Wednesday, 3 March 2027 (both dates inclusive). Holders of odd lots of the Shares should note that the matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) which are registered in the register of members of the Company in Hong Kong will be in the board lots of 10,000 Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realized from the Placing will be paid to the No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m. on Thursday, 28 January 2027, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);

(iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit.

Those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Group is principally engaged in the environmental related business in the PRC including the provision of environmental technologies, products, equipment and system integration relating to water treatment, conservation, purification, recycling and management, and wastewater treatment.

As disclosed in the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**"), the Group had bank and cash balances of approximately HK$1.69 million, whereas interest-bearing short-term bank and other borrowings amounted to approximately HK$87.7 million and other payables and accruals of approximately HK$356.45 million as at 31 December 2025. Additionally, as disclosed in the announcement of the Company dated 2 July 2026, additional current liabilities in the amount of approximately HK$70.24 million was recognised as a result of judgment made by the High Court of Hong Kong which granted a declaration that, among other matters, the subscription agreement in relation to subscription of the 2021 Due Convertible Bonds are valid and enforceable. (Details of the matters in relation to the 2021 Due Convertible Bonds were disclosed in the announcements of the Company dated 16 May 2018, 19 July 2018, 12 April 2019, 1 April 2026, 29 April 2026, 5 June 2026 and 2 July 2026).

As at 31 July 2026, the Group's interest-bearing short-term bank and other borrowings and other payables and accruals and trade payables amounted to approximately HK$550.43 million. Set out below in tabular format are the Group's material liabilities (the "**Liabilities Table**"):

Item	Lender	Nature	Outstanding principal *(Approximate HK$' million)*	Outstanding interest *(Approximate HK$' million)*	Due date	Latest progress
1.	An independent PRC bank	Interest bearing entrusted loan	53.82	35.13	Overdue	The executive Directors have been continuously seeking an agreement on deferral of payments or debt restructuring with the holder of the entrusted loans. As of the Latest Practicable Date, no such agreement has been reached. But the Group also has not received any formal demands from the holder of the entrusted loans for the repayment of the principal and interest of the entrusted loan in accordance with the judgement issued by the Court. The Company plans to reserve HK$20 million from the net proceeds of the Rights Issue as an initial partial settlement towards the entrusted loan, which is expected to facilitate negotiations for a more favourable repayment terms.

Item	Lender	Nature	Outstanding principal *(Approximate HK$' million)*	Outstanding interest *(Approximate HK$' million)*	Due date	Latest progress
2.	An independent PRC bank	Interest bearing entrusted loan	4.66	–	HK$2.33 million will be due in October 2026 and HK$2.33 million will be due in December 2026	–
3.	An independent PRC bank	Interest bearing entrusted loan	11.56	–	Approximately HK$9.31 million will be due in June 2027 and approximately HK$2.25 million will be due in November 2027	–
4.	An independent PRC bank	Interest bearing entrusted loan	5.82	–	Approximately HK$2.32 million will be due in June 2027 and approximately HK$3.5 million will be due in October 2026	–
5.	An independent PRC bank	Interest bearing entrusted loan	3.49	–	Due in December 2026	The Company plans to repay the entire outstanding amount from the net proceeds of the Rights Issue.
6.	An independent PRC bank	Interest bearing entrusted loan	3.49	–	Due in February 2027	The Company plans to repay the entire outstanding amount from the net proceeds of the Rights Issue.
7.	Mr. Zhang Zihong, a substantial Shareholder	Interest bearing Shareholder's loan	76.60	80.60	No specific terms	Mr. Zhang Zihong has agreed not to demand for immediate payment.
8.	Mr. Xu Zhongping, a substantial Shareholder	Interest free Shareholder's loan	21.38	–	No specific terms	Mr. Xu Zhongping has agreed not to demand for immediate payment.

Item	Lender	Nature	Outstanding principal *(Approximate HK$' million)*	Outstanding interest *(Approximate HK$' million)*	Due date	Latest progress
9.	An independent creditor	Interest bearing loan	5.82	4.89	Repayment on demand	–
10.	Advance from several staff and creditors of the Group	Loan	6.39	–	Overdue	The Company plans to repay the entire outstanding amount from the net proceeds of the Rights Issue.
11.	An independent creditor	Subscription of a 8% bond issued by the Company	3	1.56	Overdue	The bond holder has agreed not to take legal action against the Company at this moment. The Company plans to repay the entire outstanding amount from the net proceeds of the Rights Issue.
12.	7 independent creditors	Subscription of convertible bonds issued by the Company	9.36	2.65	Mature on 31 July 2027	–
13.	Staff of the Group and Directors	Outstanding staff salaries and Directors' remuneration and related expenses	Directors' remuneration: 27.44 Staff salaries: 15.62	–	Overdue	The Company has been in negotiation with relevant staff and Directors on the repayment schedule. The Company plans to partially repay approximately HK$36.87 million from the net proceeds of the Rights Issue.
14.	Several independent professional firms	Outstanding financial advisory fees, legal advisory fees and audit fees	18.32	–	Overdue	The Company has been in negotiation with relevant parties on the repayment schedule. The Company plans to partially repay approximately HK$6.52 million from the net proceeds of the Rights Issue.
15.	Several independent office utilities suppliers	Outstanding payables	0.47	–	Overdue	The Company plans to repay the whole amount from the net proceeds of the Rights Issue.

Item	Lender	Nature	Outstanding principal *(Approximate HK$' million)*	Outstanding interest *(Approximate HK$' million)*	Due date	Latest progress
16.	Sure Fast Enterprises Limited ("**Sure Fast**") *(Note 1)*	Outstanding total sum under the 2021 Due Convertible Bonds	88.06 (equivalent to approximately US$11.29 million *(Note 2)*	37.83 (equivalent to approximately US$4.85 million) *(Note 2)*	Overdue	As disclosed in the announcement of the Company dated 4 September 2026, Sure Fast and the Company entered into a deed of settlement ("**Deed**"). Among other things, the key terms of the Deed are: 1. The Company and Sure Fast agreed the final settlement sum (the "**Settlement Sum**") shall be US$11,294,265.58 plus an interest ("**Interest**") calculated as US$16,861.17 + US$9,520,000 x 10% / 365 x Number of days from 28 June 2021 to the date on which the Settlement Sum is paid in full. 2. The Company shall pay the Settlement Sum to Sure Fast in three instalments as follows: a. 1st instalment: US5,647,132.84 on or before 31 December 2026; b. 2nd instalment: US$5,647,132.84 on or before 30 June 2027; and c. 3rd instalment: the entire sum of the Interest on or before 31 December 2027.
17.	59 independent suppliers	Outstanding trade payables	30.3	–	Overdue	The Company plans to partially repay approximately HK$26.73 million from the net proceeds of the Rights Issue.
18.	9 independent suppliers	Outstanding trade payables	2.17	–	Due gradually within twelve months from 31 July 2027	–
		Total	**387.77**	**162.66**		

Note(s):

1. Sure Fast is wholly-owned by Mr. Chan Tsang Wing ("**Mr. Chan**"). To the best knowledge, information and belief, (i) Sure Fast and Mr. Chan have no relationship with Leon Li based on (a) the observations of Mr. Chan's conduct throughout the protracted court proceedings from 2019 to 2026; and (b) despite the unsubstantiated statements made by a third party to the Company suggesting a connection between Leon Li and Sure Fast, the results of legal works performed by the Company's legal adviser in relation to Sure Fast, particularly after coming into contact with Sure Fast's witnesses and legal counsel, revealed no indication of any such relationship; and (ii) Mr. Chan and Sure Fast are Independent Third Parties.

2. The breakdown of the outstanding amount of approximately HK$125.89 million under the 2021 Due Convertible Bonds comprises (a) redemption of 112% to the principal amount of US$7.84 million (equivalent to approximately HK$61.15 million) pursuant to the terms of the 2021 Due Convertible Bonds; (b) 8% coupon in the aggregate amount of approximately US$1.68 million (equivalent to approximately HK$13.10 million); (c) legal costs in respect of the legal proceedings in connection with the 2021 Due Convertible Bonds of approximately US$1.77 million (equivalent to approximately HK$13.81 million); and (d) default interest calculated at 10% per annum since the maturity date on 28 June 2021 in the aggregate amount of approximately US$4.85 million (equivalent to approximately HK$37.83 million).

3. For the second instalment of approximately US$5.65 million, which shall be settled on or before 30 June 2027 and the entire sum of interest, which shall be settled on or before 31 December 2027, the Company intends to, subject to the then market condition, conduct further fundraising activities to repay the above indebted amount. If there is any shortfall, the Company will draw down on the HK$130 million financial support provided by an executive Director. The Company will also actively negotiate with Sure Fast regarding the possibility of settling part of the above indebted amount by means of equity.

In respect of the subscription monies of US$7 million received by the Group in respect of the 2021 Due Convertible Bonds, (i) US$5.5 million was paid by a third party designated by Sure Fast into to a bank account of (Beijing INNOMED North Medical Technology Service Co., Limited (北京醫諾北方醫療技術服務有限公司) ("**Beijing Innomed**", the then indirect wholly owned subsidiary of the Company), which was jointly controlled by Beijing Innomed and Sure Fast (the "**Jointly Control Account**"). The Jointly Control Account required the countersignature of both Ms. Hu Yueyue (the non-executive Director) and Mr. Wang Xi (Sure Fast's nominee) for any payments to be processed. The entire amount was utilized, under the joint signatures and approval of Ms. Hu Yueyue and Mr. Wang Xi, for the renovation, equipment procurement, and operating funds of the proposed hospital to be operated by Beijing Innomed during the period from 12 July 2018 to 29 October 2018; and (ii) US$1.5 million was paid by Sure Fast to Pacific Fertility Institutes (Singapore) Pte Ltd ("**PFI Singapore**"), the then indirect wholly owned subsidiary of the Company. The entire proceeds was utilised for the renovation, equipment procurement, and operating funds of the Singapore clinic and R&D centre.

Details of the background and deconsolidation of PFI Singapore

The Company has, through PFI Singapore, established a reproductive medicine clinic in Singapore (the "**Medical Clinic**") in mid of 2018 which is principally engaged in the provision of In-Vitro Fertilization service. The total contributions to PFI Singapore by the Group was approximately HK$35.28 million (inclusive of the US$1.5 million (equivalent to approximately HK$8.62 million) received by the Group in respect of the issue of the 2021 Due Convertible Bonds). Mr. Leon Li, the then substantial shareholder of the Company and a director of PFI Singapore, was the sole management-in-charge of the business operations of PFI Singapore responsible for team recruitment, daily operations as well as finance management. Since the establishment of the Medical Clinic up to November 2018, the Medical Clinic had contributed revenue of approximately HK$3.08 million to the Group.

Reference is made to the announcements of the Company dated 19 November 2018, 17 January 2019, 5 March 2019, 29 April 2019, 7 June 2019 and 23 June 2019.

In November 2018, Mr. Leon Li was arrested by the Hong Kong police for violating Hong Kong law (the "**Leon Li Incident**"). After the Leon Li Incident, all staff of the PFI Singapore has resigned progressively, and the Company was being notified that the Medical Clinic was running out of working capital, which eventually leading to the inability of PFI Singapore to operate the Medical Clinic. On 21 February 2019, a creditor of PFI Singapore claiming an outstanding amount of S$1,273,689.20 owing by PFI Singapore filed an originating summons (Case No. HC/OS 221/2019) in the Singapore Court seeking an appointment of judicial managers over PFI Singapore. On 22 February 2019, the Singapore Court made an order to appoint the joint and several interim judicial managers (the "**Judicial Managers**") of the PFI Singapore, whereby , among other things, the Judicial Managers were empowered and authorised to exercise all powers and entitlements of directors of PFI Singapore and manage the affairs, business and property of the PFI Singapore. Therefore, PFI Singapore was deconsolidated from the Group since 22 February 2019. Subsequently, the Medical Clinic was closed and eventually PFI Singapore was placed into liquidation. As PFI Singapore possessed no remaining cash resources upon being liquidated, no proceeds or returns were received by the Group from PFI Singapore. As disclosed in the annual report of the Company for the year ended 31 December 2019, the Company recorded gain on of approximately HK$27.56 million as a result of the deconsolidation of PFI Singapore.

In June 2019, the Company was advised by the Judicial Managers that a writ of summons was filed with the Court against Mr. Leon Li in the name of PFI Singapore to sought for, *inter alia*, (i) a declaration that Leon Li had breached his duties owed to PFI Singapore as a director; and (ii) the repayment by Leon Li of a sum of S$2,469,571, which was suspected to have been misappropriated by Leon Li through fund transferred to him or a company controlled by him between June 2017 and March 2018. Subsequently, despite the Group's repeated attempts to locate and contact Mr. Leon Li, he has remained untraceable. As such, the above-mentioned sum has not yet been received by the Group as at the Latest Practicable Date.

Based on the above and to the best knowledge, information and belief of the Directors, the inability of PFI Singapore to settle the outstanding amount due to the creditor are mainly due to (i) the resignation of all staff of PFI Singapore, leading to the inability of PFI Singapore to operate the Medical Clinic and generate revenue; and (ii) the misappropriation of funds of PFI Singapore by Mr. Leon Li as above-mentioned.

Details of the background of Beijing Jianbao Kangying Medical Technology Co., Limited and its disposal

On 23 November 2017, the Group completed the acquisition of 90% equity interest in Beijing Jianbao Kangying Medical Technology Co., Limited* (北京健寶康英醫療科技有限公司), which in turn holds 100% equity interest in Beijing INNOMED Women's and Children's Hospital. Co., Limited* (北京醫諾婦兒醫院有限責任公司) ("**Beijing Jianbao**", and together with Beijing INNOMED Women's and Children's Hospital. Co., Limited* (北京醫諾婦兒醫院有限責任公司), the "**Beijing Jianbao Group**") at a consideration of RMB1. The Beijing Jianbao Group is principally engaged in the provision of medical services and hospital management in Beijing. On 2 November 2019, the Group disposed of its entire shareholding in Beijing Jianbao Kangying Medical Technology Co., Limited* (北京健寶康英醫療科技有限公司) at a consideration of RMB1 (the "**Disposal**"). As at the date of the Disposal, the Beijing Jianbao Group was constructing a hospital – Beijing INNOMED Women's and Children's Hospital* (北京醫諾婦兒醫院) (the "**Hospital**").

Up to the date of the Disposal, the Group has invested a total sum of approximately HK$83.80 million in Beijing Innomed (inclusive of the US$5.50 million raised from the issue of the 2021 Due Convertible Bonds). Details of the breakdown of usage are as follows:

Item	**Amount** *(Approximate HK$' million)*
Renovation cost of the Hospital	26.64
Rental expenses	32.54
Rental deposit	3.90
Operating expenses	20.72
Total	83.80

At the time of the Disposal, the Beijing Jianbao Group did not generate revenue and recorded net liabilities of approximately HK$3,406,000.

The Disposal was, at the time, considered in the best interests of the Company and the Shareholders as a whole on the basis that (i) due to changes in key executive management of the Group and the lack of historical and practical reference on the Group's operating performance in hospital operations, there are inherent uncertainties as to whether the Group can operate the Hospital as planned; (ii) the construction of the Hospital is causing significant amount of cash outflow to the Group on an ongoing basis; and (iii) since Beijing Jianbao Group is in a net liability position, the Board expects that the Disposal, if completed, will significantly improve the financial position of the Company by reducing its liabilities, improving gearing position and enabling the remaining Group to place and focus its resources towards its wastewater treatment business which is expected to achieve and deliver better economic value to the remaining Group.

As disclosed in the announcement of the Company dated 29 July 2026, the management of the Company has been undertaking a number of measures to mitigate the liquidity pressure and to improve the financial position of the Group, including but not limited to (i) actively negotiating with banks and other lending institutions on loan renewal or alternative refinancing and new financing facilities. As of the date of the announcement, all of the bank loans that have matured so far this year have been successfully renewed; (ii) continuously seeking an agreement on deferral of payments or debt restructuring with the holder of the entrusted loans; and (iii) maintaining stable operations and acquired new projects and clients for both of its wastewater treatment business and energy management business.

Latest progress of the Company's action plans are as follows:

Plan	Amount *(HK$' million)*	Latest progress
To extend the maturity date of other loan principal of HK$800,000 under a loan agreement executed on 27 March 2019 to 30 September 2027 and not to demand for repayment for other loan principal of HK$800,000 and the accrued interest of approximately HK$568,000 as at 31 December 2025 before July 2027, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;	1.36	Completed
To extend the maturity date of other loan principal of approximately HK$19,158,000 executed on 23 September 2019 to 31 December 2027 and not to demand for repayment for other loan principal of approximately HK$19,158,000 and the accrued interest of approximately HK$13,293,000 as at 31 December 2025 before July 2027, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;	32.45	Completed
To extend the maturity date of other loan principal of approximately HK$10,091,000 executed on 25 January 2021 to 31 December 2027 and not to demand for repayment for other loan principal of approximately HK$10,091,000 and the accrued interest of approximately HK$8,039,000 as at 31 December 2025 before July 2027, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;	18.13	Completed

Plan	Amount *(HK$' million)*	Latest progress
To extend the maturity date of other loan principal of approximately HK$40,000,000 executed on 27 March 2019 to 27 September 2027 and not to demand for repayment for other loan principal of approximately HK$40,000,000 and the accrued interest of approximately HK$45,234,000 as at 31 December 2025 before July 2027, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;	85.23	Completed
Not to demand for repayment for a car rental fee of approximately RMB200,000 (approximately HK$221,000) before July 2027;	0.22	Completed
Not to demand for repayment for the interest of approximately HK$11,997,000 before July 2027 related to the 8% 3-year convertible bonds which the investor had converted to shares of the Company during the year ended 31 December 2024;	12.00	Completed
Not to demand for repayment for working capital of approximately RMB2,070,000 (approximately HK$2,286,000) lent to the Group and approximately HK$1,347,000 lent to the Group by a investor before July 2027;	3.63	Completed
Classy Jade, a company controlled by Mr. Xu Zhongping, has agreed not to demand for repayment for the interest of approximately HK$2,269,000 before July 2027 related to the 8% 3-year convertible bonds which Classy Jade had converted to shares of the Company during the year ended 31 December 2024;	2.27	Completed

Plan	Amount *(HK$' million)*	Latest progress
An executive Director, Mr. Xu Zhongping, has agreed (i) not to demand for repayment for working capital of approximately HK$13,774,629 lent to the Group before July 2027; and (ii) not to demand repayment of the other loan principal of approximately RMB4,595,000 (approximately HK$5,340,769) and any accrued interest (which was nil as at 31 December 2025) before July 2027;	19.12	Completed
An executive Director, Mr. Xu Zhongping has confirmed to provide adequate financial support to the Group in an amount not less than HK$130,000,000 to ensure the Group's continuing operation for a period of at least fifteen months from the date of this circular;		– A signed irrevocable undertaking by Mr. Xu Zhongping has been provided to the Company.
The Group is making every effort to expand its presence in the energy management and wastewater treatment markets and to strive for increased revenue from its principal operations;		– The Company has secured new orders from its clients in the first half of 2026.
The executive Directors are continuing to broaden the Group's financing channels and is considering raising fund through the issuance of ordinary bonds, convertible bonds, or share placements in the future to support its business development;		– The proposed Rights Issue represents a significant step of the executive Directors to materialize fund raising activities of the Company to support its business development.

Plan	Amount *(HK$' million)*	Latest progress
The executive Directors are maintaining ongoing and proactive communication with the holder of the entrusted loans to seek deferral of payments or debt restructuring;	–	The executive Directors have been continuously seeking an agreement on deferral of payments or debt restructuring with the holder of the entrusted loans. As of the Latest Practicable Date, no such agreement has been reached. The Group also has not received any formal demands from the holder of the entrusted loans for the repayment of the principal and interest of the entrusted loan in accordance with the judgement issued by the Court.
The executive Directors are negotiating with banks and other lending institutions to secure loan renewals or obtain alternative refinancing and new financing facilities;	–	The Company has renewed existing bank loans in an aggregate amount of approximately HK$29.50 million.
The Board is continuing to consider debt and group restructuring for certain capital-deficient subsidiaries to reduce the level of liabilities	174.42	The Company has identified and disposed of a capital-deficient subsidiary in the first half of 2026.

As a result of the above measures implemented, the Group has lessened the immediate financial pressure in an aggregate amount of approximately HK$174.42 million. However, in view of (i) the Group's indebtedness of approximately HK$550.43 million as at 31 July 2026; (ii) despite the Company has renewed its existing bank loans, certain bank loans in an aggregate amount of approximately HK$11.65 million (i.e. item 2, HK$3.50 million in item 4 and item 5 in the Liabilities Table) will be maturing in December 2026, the Company must plan its funding arrangements in advance; (iii) after taking into account the financial support from an executive Director in the amount of HK$130 million, the Group would still need to resolve the remaining liabilities of approximately HK$246.01 million.

Therefore, the Group is currently still facing imminent needs for financial resources to settle the above liabilities and replenish its working capital. The Board considers that the Rights Issue will assist in reducing the immediate financial burden of the Group significantly and have a positive impact on the financial position of the Group.

The Directors had considered other fund-raising alternatives available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares. The Directors are of the view that the Group will not be able to obtain new debt financing given its current net liabilities position. Even if it can obtain, debt financing will result in additional interest burden and the interest rate is expected to further increase in the prevailing borrowing market environment. Besides, the debt financing will further increase the gearing ratio of the Group which is not beneficial to the Group.

The Directors consider that financing the funding needs of the Group in the form of equity is the most viable alternative. Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate the subscription of new Shares. Instead of the placing or subscription of new Shares, the Rights Issue enables the Group to improve its financial position without increasing its debt or finance costs.

Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company and allow the Group fulfil its aforementioned needs for financial resources to partially settle the overdue liabilities and replenish its working capital, the Directors consider that raising capital through the Rights Issue is in the best interest of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

Assuming full subscription under the Rights Issue, the maximum gross and net proceeds (after deducting related expenses) from the Rights Issue are estimated to be approximately up to HK$190.20 million and HK$184.33 million, respectively. The Company intends to apply the net proceeds from the Rights Issue in the following manner:

(i) approximately HK$152.75 million (or approximately 82.87%) for partial redemption of the 2021 Due Convertible Bonds and repayment of interest-bearing bank loans and other borrowings, and other payables and accruals of the Group; and

(ii) approximately HK$31.58 million (or approximately 17.13%) as working capital of the Group, including (i) approximately HK$17.29 million as general working capital of the Company for the next twelve months comprising office rent, staff salaries, Directors' fees, legal and professional fees and other office overheads and administrative expenses; (ii) approximately HK$9.26 million as working capital of the Group's waterwaste treatment segment for the next twelve months comprising rent, research and development cost, marketing expenses, upfront deposit and cost to accept orders from customers, staff salaries and administrative expenses; (iii) approximately HK$3.84 million as working capital of the Group's energy management segment for the next twelve months comprising rent, staff salaries, upfront deposit and cost to accept orders from customers, marketing expenses and administrative expenses; and (iv) approximately HK$1.19 million as working capital of the Group's asset management business for the next twelve months comprising staff salaries and administrative expenses.

Details on the repayment of indebtedness of the Group

In respect of the approximately HK$152.75 million from the net proceeds of the Rights Issue earmarked for repayment of the Group's indebtedness, the allocation is as follows:

Item	**Amount** *(Approximate HK$' million)*
Partial settlement of the outstanding amount of the 2021 Due Convertible Bonds which is scheduled to be settled by 31 December 2026 (i.e. item 16 in the Liabilities Table)	44.23
Partial settlement of accrued legal and professional fees including financial advisory fees, auditors remuneration, legal advisory fees (i.e. item 14 in the Liabilities Table)	6.52
Reserve as initial repayment to facilitate re-negotiations with the creditor in respect of the entrusted loan (i.e. item 1 in the Liabilities Table)	20.00
Partial settlement of accrued staff salaries, Directors' remuneration and other administrative expenses (i.e. item 13 in the Liabilities Table)	36.87
Partial settlement of other borrowings and payables (i.e. items 10, 11 and 15 in the Liabilities Table)	11.42
Settlement of bank loans (i.e. items 5 and 6 in the Liabilities Table)	6.98
Partial settlement of trade payables (i.e. item 17 in the Liabilities Table)	26.73
Total	**152.75**

In the event that there is an under subscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

In view of the above, the Board considers that it is fair and reasonable and in the best interests of the Company and the Shareholders as a whole to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company.

Procedures in respect of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent Placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m., on Thursday, 28 January 2027, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);

(iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit.

THE PLACING AGREEMENT

On 1 September 2026 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement. Details of the Placing Agreement are as follows:

Date	:	1 September 2026 (after trading hours)
Issuer	:	The Company

Placing agent	:	Cheer Union Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. It is a corporation licensed to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. The Placing Agent has confirmed that: (a) it and its ultimate beneficial owner(s) are Independent Third Parties; and (b) as at the Latest Practicable Date, neither the Placing Agent nor any of its associates hold any Shares.
Placing fee and expenses	:	3 % of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully procured by the Placing Agent and reimbursement for the expenses in relation to the Placing (including but not limited to all the costs and out-of-pocket expenses relating to the Placing actually, reasonably and properly incurred by the Placing Agent with the prior consent of the Company), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at the completion of the Placing.
Placing price of the Unsubscribed Rights Share and/or and the NQS Unsold Rights Share (as the case may be)	:	The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares and, in any event, the Placing price will not be less than the Subscription Price.
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the placees who and whose ultimate beneficial owner(s) are Independent Third Parties. The Placing shall not trigger any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing and the Company will continue to comply with the public float requirement under the Listing Rules upon completion of the Placing and the Rights Issue.

Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.

Conditions Precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:

(a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to any customary conditions) and such approval not having been withdrawn or revoked;

(b) the passing of all necessary resolutions for approving the Rights Issue at the EGM;

(c) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and

(d) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the Completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement.

Save for condition (d) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

As at the Latest Practicable Date, only condition (c) has been fulfilled.

Termination : The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have an adverse material effect on the business or financial conditions of the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

(i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or

(ii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

(iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or

(iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may have material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or

(v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion date of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

(vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the existing financial position of the Group, the size of the Rights Issue, and the prevailing market conditions. The Board considers the terms of the Placing for the Placing Shares (including the placing fee payable) are on normal commercial terms.

UNDERTAKINGS

The Undertaking

As at the Latest Practicable Date, Mr. Xu and his associates is beneficially interested in an aggregate of 91,513,921 Existing Shares (representing 26.70% of the issued Shares). After the Share Consolidation becomes effective, Mr. Xu and his associates will be beneficially interested in 45,756,960 Consolidated Shares. Mr. Xu has irrevocably and unconditionally undertaken to the Company that (i) he will not dispose of, and will procure his associates not to dispose of, any of the 91,513,921 Existing Shares or the 45,756,960 Consolidated Shares comprising the current shareholding in the Company owned by himself, Classy Jade and Gentle and such Shares will remain directly or indirectly beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance, and/or procure his associate to lodge acceptance, of in aggregate 274,541,760 Rights Shares, which will be the number of Rights Shares provisionally allotted to him, Classy Jade and Gentle in nil-paid form under the Rights Issue, with the Registrar or the Company, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) in the event of an under-subscription of the Rights Shares, the Company has the power and authority to scale down their assured entitlement under the Rights issue to a level which does not trigger an obligation to make a general offer under the Takeovers Code (the "**Scale Down**") immediately after completion of the Rights Issue. The Scale Down will be applied pursuant to the note of Rule 7.19(5)(b) of the Listing Rules, when the rights issue is not fully underwritten and on the basis that if the issue is not fully taken up, the application of the Shareholder for his/her/its assured entitlement under the Rights Issue can be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code.

The Optionholder's Undertakings

As at the Latest Practicable Date, there are 10,808,000 outstanding Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe a total of 10,808,000 Shares. On 1 September 2026, each of the holders of the Share Options executed the Optionholder's Undertakings pursuant to which each of the holders of the Share Options has irrevocably undertaken in favour of the Company from the date of the Optionholder's Undertakings up to and including the close of business of the Record Date not to exercise the Share Options (or any part thereof) granted to him/her.

The CB Holders' Undertakings

As at the Latest Practicable Date, there are outstanding Convertible Bonds in an aggregate principal amount of US$1,200,000 which entitle the holders to convert into 18,720,000 Existing Shares. On 1 September 2026, each of the holders of the Convertible Bonds executed the CB Holders' Undertakings pursuant to which each of the holders of the Convertible Bonds has irrevocably undertaken in favour of the Company from the date of the CB Holders' Undertakings up to and including the close of business of the Record Date, (i) the Convertible Bonds will remain registered in the name of and beneficially owned by him/her; and (ii) not to exercise any of the conversion rights attaching to the Convertible Bonds (or any part thereof).

Save for the irrevocably undertakings from Mr. Xu, the Optionholder's Undertakings and the CB Holders' Undertakings, the Company has not received any information or irrevocable undertaking from any Shareholder of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Non-Qualifying Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Capital Reorganisation becoming effective; and (iii) under the following two scenarios arising from different acceptance ratios of the Rights Issue (for illustrative purpose only), assuming there is no change in the number of Shares in issue since the Latest Practicable Date:

(a) assuming full acceptance by the Qualifying Shareholders and there is no Non-Qualifying Shareholders ("**Scenario I**"); and

(b) assuming nil acceptance by the Qualifying Shareholders of Rights Shares (except Mr. Xu's subscription for Committed Shares pursuant to the Undertaking) and all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares having been placed by Placing Agent ("**Scenario II**").

	As at the Latest Practicable Date		Immediately upon the Capital Reorganisation becoming effective		Immediately after completion of the Rights Issue			
					Scenario I		Scenario II	
	No. of shares	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*
Classy Jade *(Note 1)*	35,880,000	10.47	17,940,000	10.47	125,580,000	10.47	125,580,000	10.47
Gentle *(Note 1)*	53,429,000	15.59	26,714,500	15.59	187,001,500	15.59	187,001,500	15.59
Mr. Xu Zhongping *(Notes 1,2)*	2,204,921	0.64	1,102,460	0.64	7,717,220	0.64	7,717,220	0.64
Mr. Zhang Zihong	88,580,000	25.85	44,290,000	25.85	310,030,000	25.85	44,290,000	3.69
Mr. Yang Baodong *(Note 2)*	39,600	0.01	19,800	0.01	138,600	0.01	19,800	Negligible *(Note 4)*
Ms. Hu Yueyue *(Note 2)*	400,000	0.12	200,000	0.12	1,400,000	0.12	200,000	0.02
Placee *(Note 3)*	–	–	–	–	–	–	753,552,054	62.83
Other public Shareholders	162,164,417	47.32	81,082,209	47.32	567,575,463	47.32	81,082,209	6.76
Total	342,697,938	100	171,348,969	100	1,199,442,783	100	1,199,442,783	100

Notes:

(1) Classy Jade owns 60% of the issued share capital of Gentle. Mr. Xu Zhongping is the controlling shareholder of Classy Jade and was therefore deemed to be interested in the said 53,429,000 shares held by Gentle and 35,880,000 shares held by Classy Jade under Part XV of the SFO.

(2) Mr. Xu Zhongping is an executive Director.

(3) It is expected that none of the Placee will become a substantial Shareholder. The Company will ensure compliance with the minimum public float requirement under Rule13.32B of the Listing Rules upon completion of the Rights Issue.

(4) The shareholding of Mr. Yang Baodong will be less than 0.01%.

The Shareholders and the public investors of the Company should note that the above shareholding changes are for illustrative purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights issue and the Placing are subject to various factors, including the results of the acceptance of the Rights Issue. The public float requirements under Rule 13.32B of the Listing Rules shall be maintained by the Company at all times, and the Company will take all appropriate steps to ensure that sufficient public float shall be at all times in compliance with the Listing Rules.

POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS

As at the Latest Practicable Date, there are 10,808,000 outstanding Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for an aggregate of 10,808,000 Existing Shares. Pursuant to the terms of the Share Option Scheme, the Capital Reorganisation and the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustments will be certified by an independent financial adviser or auditors of the Company (as the case may be).

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds which are convertible into 18,720,000 Existing Shares at the conversion price of US$0.5 per Existing Share (subject to adjustment mechanism in accordance with the terms and conditions of the Convertible Bonds). The Capital Reorganisation and the Rights Issue may lead to adjustments to the conversion price and/or the number of Shares to be issued upon exercise of the conversion right attached to the Convertible Bonds. The Company will notify the holders of the Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms and conditions of the Convertible Bonds and such adjustments will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATION

Capital Reorganisation

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of special resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Capital Reorganisation, no Shareholder would be required to abstain from voting in favour of the special resolution relating to the Capital Reorganisation in the EGM.

Rights Issue

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour our the Rights Issue. As at the Latest Practicable Date, the Company has no controlling shareholder. Mr. Xu, an executive Director of the Company, is directly and indirectly interested, through himself and his associates, in an aggregate of 91,513,921 Existing Shares, representing approximately 26.70% of the issued share capital of the Company. Mr. Yang Baodong, an executive Director of the Company, is interested in 39,600 Existing Shares, representing approximately 0.01% of the issued share capital of the Company. Ms. Hu Yueyue, a non-executive Director of the Company, is interested in 400,000 Existing Shares, representing approximately 0.12% of the issued share capital of the Company. Accordingly, Mr. Xu, Mr. Yang Baodong, Ms. Hu Yueyue and their respective associates shall abstain from voting in favour of the relevant resolution(s) of the Rights Issue at the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Xu, Mr. Yang Baodong, Ms. Hu Yueyue and their respective associates, no other Shareholder is required to abstain from voting on the Rights Issue at the EGM. As at Latest Practicable Date, save for the Undertaking, the Optionholder's Undertakings and the CB Holders' Undertakings, the Board has not received any indication from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, to approve the Rights Issue. The proposed resolutions will be conducted by way of a poll at the EGM pursuant to Rule 13.39(4) of the Listing Rules and an announcement on the results of the EGM will be made by the Company after the EGM.

A notice convening the EGM to be held at Room 3216, Block A, Pengrun Building, 26 Xiaoyun Road, Chaoyang District, Beijing, the People's Republic of China on Thursday, 26 November 2026 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend and vote at the EGM, they are requested to read the notice and to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding the EGM (i.e. before 11:00 a.m. on Tuesday, 24 November 2026) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should they so wish and, in such event, the form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The record date for determining the entitlement of the holders of Shares to attend and vote at the EGM will be Thursday, 26 November 2026. For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members will be closed from Friday, 20 November 2026 to Thursday, 26 November 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 November 2026.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolution(s) as set out in the notice convening the EGM will be voted by poll.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders (i) as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) how to vote on the relevant resolutions. In this connection, DL Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders. You are advised to read carefully the letter of recommendation from the Independent Board Committee set out on pages 55 to 56 of this circular and the letter of advice from DL Securities set out on pages IFA-1 to IFA-27 of this circular.

The Directors consider that the terms of the Capital Reorganisation are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

WARNING ON THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the fulfilment and/or waiver (where applicable) of conditions including, among other things, (i) obtaining the Independent Shareholders' approval for the Rights Issue; and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the sections headed "Conditions of the Rights Issue" in this circular. Accordingly, the Rights Issue will not proceed if any of the conditions of the Rights Issue is not satisfied.

Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

Any dealing in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholder dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form should consult their professional advisers.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 21 December 2026. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 6 January 2027 to Wednesday, 13 January 2027 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and the public are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

By order of the Board
China Environmental Technology Holdings Limited
Xu Jingping
Chairman and Executive Director

* *For identification purposes only*

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.

CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
中國環保科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 646)

6 November 2026

To the Independent Shareholders

Dear Sir / Madam,

(1) PROPOSED CAPITAL REORGANISATION; (2) PROPOSED CHANGE IN BOARD LOT SIZE; (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) NEW SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular dated 6 November 2026 (the "**Circular**") of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as the member of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole. Details of the Rights Issue are set out in the "**LETTER FROM THE BOARD**" on pages 13 to 54 of the Circular.

DL Securities has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages IFA-1 to IFA-27 of the Circular.

Having taken into account the terms of the Rights Issue, the information contained in the Circular and the advice from the Independent Financial Adviser, we are of the opinion that that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee of
China Environmental Technology Holdings Limited

Mr. Tse Chi Wai **Prof. Geng Lin** **Prof. Zhu Nanwen** **Prof. Li Jun**
Independent non-executive Directors

The following is the text of a letter of advice from DL Securities (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue which has been prepared for the purpose of incorporation in this circular.

德林證券
DL SECURITIES

29/F, Vertical Square
28 Heung Yip Road
Wong Chuk Hang, Hong Kong

6 November 2026

To: the Independent Board Committee and
the Independent Shareholders of China Environmental Technology Holdings Limited

Dear Sirs and Madams,

PROPOSED RIGHTS ISSUE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) NEW SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in this circular of the Company dated 6 November 2026 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 1 September 2026, the Company announced that the Board proposed, subject to, among other things, the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of six (6) Rights Shares for every one (1) New Share held on the Record Date at the Subscription Price of HK$0.185 per Rights Share, to raise up to approximately HK$190.20 million, before expenses by way of issuing up to 1,028,093,814 Rights Shares (assuming no change in the number of issued Shares on or before the Record Date).

As stated in the Letter of the Board, the Company intends to apply the net proceeds from the Rights Issue mainly for partial redemption of the 2021 Due Convertible Bonds and repayment of interest-bearing bank loans and other borrowings, and other payables and accruals of the Group. The remaining balance of the net proceeds is planned to apply towards the general working capital of the Company.

In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the resolution approving the Rights Issue.

As at the Latest Practicable Date, (i) Mr. Xu, an executive Director of the Company, is directly and indirectly interested, through himself and his associates, in an aggregate of 91,513,921 Existing Shares, representing approximately 26.70% of the issued share capital of the Company; (ii) Mr. Yang Baodong, an executive Director of the Company, is interested in 39,600 Existing Shares, representing approximately 0.01% of the issued share capital of the Company; and (iii) Ms. Hu Yueyue, a non-executive Director of the Company, is interested in 400,000 Existing Shares, representing approximately 0.12% of the issued share capital of the Company. Accordingly, Mr. Xu and his associates, Mr. Yang Baodong and Ms. Hu Yueyue shall abstain from voting in favour of the relevant resolution(s) of the Rights Issue at the EGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Xu and his associates, Mr. Yang Baodong and Ms. Hu Yueyue, no other Shareholder is required to abstain from voting on the Rights Issue at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Independent Board Committee, comprising Mr. Tse Chi Wai, Professor Geng Lin, Professor Zhu Nanwen and Professor Li Jun, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Rights Issue. We, DL Securities (HK) Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

OUR INDEPENDENCE

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the terms of the proposed Rights Issue.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue and the transactions contemplated thereunder, we have reviewed, amongst others, (i) the annual report for the year ended 31 December 2025 (the "**Annual Report 2025**"); (ii) the interim report for the six months ended 30 June 2026 (the "**Interim Report 2026**"); (iii) the relevant announcement obtained from the website of the Stock Exchange; (iv) the Placing Agreement; and (v) the information set out in the Circular. We have relied on the information, facts and representations contained or referred to in the Circular, the public information announced by the Company and the information, facts and representations provided by, and the opinions expressed by the Directors and management of the Company (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the disclosed information and the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the Circular and public information disclosed and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular and public information disclosed have been arrived at after due and careful consideration and there are no other facts not contained in the public information disclosed, the omission of which would make any statement in the public information disclosed misleading.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the public information disclosed or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the transactions contemplated under the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation. This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Rights Issue and the transactions contemplated thereunder, 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.

A. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

I. The Proposed Rights Issue

1. Background information of the Group

The Group is principally engaged in the environmental related business in the PRC including the provision of environmental technologies, products, equipment and system integration relating to water treatment, conservation, purification, recycling and management, and wastewater treatment.

Business and financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the three years ended 31 December 2023 ("**FY2023**"), 2024 ("**FY2024**") and 2025 ("**FY2025**") which were extracted from the Annual Report 2024 and the Annual Report 2025 and the six months ended 30 June 2025 ("**1H2025**") and 2026 ("**1H2026**") which were extracted from the Interim Report 2026:

Consolidated Income Statement	**For the year ended 31 December**			**For the six months ended 30 June**	
	2023	**2024**	**2025**	**2025**	**2026**
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	15,721	28,229	30,693	18,984	17,867
Gross profit	6,526	7,784	9,160	5,551	6,388
Profit/(loss) attributable to Shareholders	(43,163)	(30,741)	(52,398)	(29,592)	(24,077)

Consolidated Statement of Financial Position	**As at 31 December**			**As at 30 June**
	2023	**2024**	**2025**	**2026**
	(audited)	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash	2,061	892	1,687	298
Net Assets/(liabilities)	(611,625)	(572,948)	(703,884)	(738,043)
Total assets	40,574	37,227	34,642	32,264
Total liabilities	652,199	610,175	738,526	770,307

For the six months ended 30 June 2026

For 1H2026, the Group recorded revenue of approximately HK$17.9 million, representing a decrease of approximately 5.9% from approximately HK$19.0 million for the corresponding period in 1H2025. According to the Interim Report 2026, the decrease in revenue was primarily attributable to a decrease in revenue generated from the wastewater treatment segment, which slightly decreased by approximately 6.1% from approximately HK$17.8 million in 1H2025 to approximately HK$16.8 million in 1H2026**.** The decrease in revenue was mainly due to the decrease in the number of contracts secured given the fact that (i) the more intense low-price competition in the market, under which the Group's quotations, which firmly maintain a 30% gross margin floor, were less attractive; and (ii) the larger upfront funding and long collection cycles of wastewater projects, which, given the Group's tighter available financial resources when compared with the same period in 2025, led the Group to voluntarily forgo projects with unfavourable payment terms. Revenue from the energy management segment remained broadly stable at approximately HK$1.1 million in both periods. The Group's revenue was generated principally in the PRC.

Notwithstanding the decrease in revenue, gross profit increased by approximately 15.1% from approximately HK$5.6 million in 1H2025 to approximately HK$6.4 million in 1H2026. Accordingly, the gross profit margin increased from approximately 29.2% in 1H2025 to approximately 35.8% in 1H2026. The Company attributed the improvement in gross profit and gross profit margin principally to the cost-saving measures implemented by the Group. In particular, the wastewater treatment segment generated a gross profit margin of approximately 35.5% in 1H2026, while the energy management segment generated a gross profit margin of approximately 39.5%.

The loss attributable to owners of the Company decreased by approximately 18.6% from approximately HK$29.6 million in 1H2025 to approximately HK$24.1 million in 1H2026. Such improvement was principally attributable to the improvement in gross profit and the reduction in administrative expenses from approximately HK$15.4 million in 1H2025 to approximately HK$12.0 million in 1H2026. This was partially offset by an increase in net other loss from approximately HK$5.8 million to approximately HK$7.3 million, principally comprising net foreign-exchange loss, and finance costs, which remained substantial at approximately HK$15.3 million in 1H2026.

As at 30 June 2026, the Group had total assets of approximately HK$32.3 million, compared with approximately HK$34.6 million as at 31 December 2025, comprising principally trade and other receivables of approximately HK$27.5 million and contract assets and contract costs of approximately HK$2.6 million. Total liabilities amounted to approximately HK$770.3 million, compared with approximately HK$738.5 million as at 31 December 2025 on a restated basis, and comprised principally trade and other payables of approximately HK$586.7 million and borrowings of approximately HK$171.5 million. The Group's net liabilities increased from approximately HK$703.9 million as at 31 December 2025 on a restated basis to approximately HK$738.0 million as at 30 June 2026, while its net current liabilities increased from approximately HK$522.0 million to approximately HK$546.4 million over the same period. Meanwhile, bank and cash balances decreased from approximately HK$1.7 million to approximately HK$0.3 million, and the Group recorded net cash used in operating activities of approximately HK$5.4 million during 1H2026.

For the years ended 31 December 2024 and 2025

As stipulated in the Annual Report 2025, the Group recorded revenue in the amount of approximately HK$30.7 million in FY2025, representing an increase of approximately 8.7% as compared to the amount of approximately HK$28.2 million in FY2024. Such increase was mainly due to the revenue generated from the energy management business was improved.

The revenue from sales of complete sets of equipment for FY2025 was approximately HK$22.4 million, represented a decrease of approximately 17.1% from approximately HK$27.0 million for FY2024. The revenue from sales of wastewater treatment consumables, equipment accessories, and related services for FY2025 was approximately HK$5.1 million, represented an increase of approximately 1,138.5% from approximately HK$0.4 million for FY2024. The revenue from power technical service for FY2025 was approximately HK$3.2 million, represented an increase of approximately 296.1% from approximately HK$0.8 million for FY2024. This business segment commenced operations in the second half of 2024 and accounted for approximately 10.5% of the Group's total revenue for the year.

We also note that the Group's gross profit of approximately HK$9.2 million in FY2025 increased by approximately 17.7% from approximately HK$7.8 million in FY2024 due to the high gross margin of energy management business which was more than twice that of the wastewater treatment business. The gross profit margin increased from approximately 27.6% for FY2024 to approximately 29.8% for FY2025. The Group recorded a net loss attributable to Shareholders in FY2025 in the amount of approximately HK$52.4 million as compared to a net loss of approximately HK$30.7 million in FY2024. The increase of loss was mainly attributable to (i) the appreciation of RMB over HK dollar which resulted in exchange loss from RMB denominated payables and debts, and (ii) the gain on loan settlement and income from waiver of trade and other payables totalling approximately HK$8.8 million in 2024, while there was no such gain or income in 2025.

For FY2024, the Group's revenue amounted to approximately HK$28.2 million, up approximately 79.6% from approximately HK$15.7 million in FY2023. The increase was mainly attributable to the significant growth in the wastewater treatment business, together with the commencement of the power technical service business which achieved a breakthrough from zero revenue during the year.

In FY2024, sales of complete sets of equipment amounted to approximately HK$27.0 million, up approximately 85.3% from approximately HK$14.6 million in FY2023. Sales of wastewater treatment consumables, equipment accessories, and related services were approximately HK$0.4 million, down approximately 64.4% from approximately HK$1.2 million in FY2023. Power technical service revenue was approximately HK$0.8 million, representing a new business segment launched during the year that achieved zero-to-one revenue breakthrough.

For FY2024, gross profit was approximately HK$7.8 million, up approximately 19.3% from approximately HK$6.5 million in FY2023. The gross profit margin declined from approximately 41.5% in FY2023 to approximately 27.6% in FY2024, mainly due to intensified competition in the wastewater treatment industry. The Group's net loss attributable to Shareholders narrowed to approximately HK$30.7 million in FY2024 from approximately HK$43.2 million in FY2023, representing a decrease of approximately 28.8%. The reduction in loss was mainly due to (i) a gain on foreign exchange difference of approximately HK$6.4 million, and (ii) a gain on loan settlement of approximately HK$7.5 million recognised in 2024.

The Group's total assets as at 31 December 2025 amounted to approximately HK$34.6 million and its total liabilities as at 31 December 2025 amounted to approximately HK$738.5 million. The Group's net liabilities amounted to approximately HK$703.9 million as at 31 December 2025, representing an increase of approximately 22.9% as compared to approximately HK$572.9 million as at 31 December 2024. Such increase was mainly due to the net loss incurred during the year, as well as the increase in trade and other payables and borrowings.

As at 31 December 2024, the Group's total assets were approximately HK$37.2 million and total liabilities were approximately HK$610.2 million. Net liabilities stood at approximately HK$572.9 million, down approximately 6.3% from approximately HK$611.6 million as at 31 December 2023. The decrease was mainly attributable to the gain on loan settlement and the issue of shares for settlement of loans during the year.

2. Reasons for the Rights Issue and proposed use of proceeds

As set out in the Letter from the Board, the Group is principally engaged in environmental-related business in the PRC, including the provision of environmental technologies, products, equipment and system integration relating to water treatment, conservation, purification, recycling and management, and wastewater treatment.

We note from the Interim Report 2026 and the Letter from the Board that the Group has been under significant liquidity pressure. In particular, the Group had bank and cash balances of approximately HK$0.30 million as at 30 June 2026, as compared with interest-bearing short-term bank and other borrowings of approximately HK$93.28 million and other payables and accruals of approximately HK$453.07 million as at the same date. We further note that, according to the Letter from the Board, additional current liabilities of approximately HK$70.24 million were recognised following the judgment of the High Court of Hong Kong in relation to the 2021 Due Convertible Bonds, and that, as at 31 July 2026, the Group's interest-bearing short-term bank and other borrowings, other payables and accruals and trade payables amounted in aggregate to approximately HK$537.08 million.

As disclosed in the Letter from the Board, such liabilities include, among others, overdue entrusted-loan indebtedness of approximately HK$88.95 million, shareholder loans due to Mr. Zhang and Mr. Xu of approximately HK$157.20 million and HK$21.38 million respectively, repayable-on-demand and overdue indebtedness owed to independent creditors, overdue staff salaries and Directors' remuneration of approximately HK$43.06 million, overdue professional fees of approximately HK$18.32 million, overdue trade payables of approximately HK$30.3 million and the outstanding amount of approximately HK$112.54 million under the 2021 Due Convertible Bonds owed to Sure Fast. We have considered the measures undertaken by the Company to alleviate its short-term liquidity pressure, including loan extensions, standstill arrangements, renewed bank facilities, continuing negotiations with the creditor of the entrusted loan, business-development efforts and financial support in an amount of not less than HK$130 million from an executive Director for a period of at least 15 months from the date of this circular. According to the Letter from the Board, these measures have lessened the Group's immediate financial pressure in an aggregate amount of approximately HK$174.42 million. Notwithstanding the above, we note that the Company remains subject to substantial outstanding liabilities and continuing funding needs. The Letter from the Board further states that, even after taking into account the financial support from an executive Director in the amount of HK$130 million, the Group would still need to resolve remaining liabilities of approximately HK$232.66 million.

Therefore, with reference to the Letter from the Board, the Company intends to apply the proceeds as to (i) approximately HK$152.75 million, representing approximately 82.87% of the net proceeds, for partial redemption of the 2021 Due Convertible Bonds and repayment of interest-bearing bank loans and other borrowings, and other payables and accruals of the Group; and (ii) approximately HK$31.58 million, representing approximately 17.13% of the net proceeds, as working capital of the Group.

We understand from the Company that the proposed Rights Issue is intended principally to alleviate the Group's immediate repayment pressure, partially settle overdue liabilities and replenish the Group's working capital. In assessing the commercial rationale of the Rights Issue, we consider it relevant that the Group is in a stressed financial position and that the proposed fund-raising, if completed, would provide additional equity capital without increasing the Group's indebtedness or finance costs.

Having taken into account the above, and in particular the Group's financial position, the near-term maturity and overdue profile of its liabilities, the nature of the proposed use of proceeds and the comparative features of the Rights Issue against the alternatives described above, we concur with the Directors that the Company has reasonable commercial grounds to pursue the Rights Issue to resolve the imminent financial difficulties of the Group, and that the intended use of proceeds is fair and reasonable and the Rights Issue is in the interests of the Company and the independent Shareholders as a whole.

Other fund-raising alternatives

As disclosed in the Letter from the Board, the Board considers raising funds by way of the Rights Issue is a better alternative than other debt/equity fund raising alternatives such as bank borrowings and placing.

We have also considered alternative fund-raising methods referred to by the Directors, including debt financing and other forms of equity financing such as placing or subscription of new Shares. According to the Letter from the Board, the Directors are of the view that new debt financing would be difficult to obtain in light of the Group's net liabilities position and, even if available, would result in further interest burden and higher gearing. We consider the above rationale to be not unreasonable. In particular, given the Group's limited cash position, material overdue liabilities and ongoing negotiations with various creditors, additional borrowing may not be readily available on acceptable terms, whereas a rights issue enables all Qualifying Shareholders to participate in the fund-raising on a pro rata basis and, if they so wish, maintain their respective shareholding interests in the Company. We also note the Directors' view that alternative equity fund-raising methods such as a placing or subscription of new Shares would dilute existing Shareholders' interests without offering them the opportunity to participate in the fund-raising. In contrast, the Rights Issue allows Qualifying Shareholders an opportunity to subscribe for the Rights Shares in proportion to their existing shareholdings, and those who elect not to take up their entitlements may, subject to market conditions, still benefit indirectly from any Net Gain arising from the Compensatory Arrangements.

Based on the above, we concur with the Director's view that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

The Company proposes to raise gross proceed of up to approximately HK$190.20 million (assuming full subscription under the Rights Issue and no change in the number of existing Shares on or before the Record Date) by issuing up to 1,028,093,814 Rights Shares at the Subscription Price of HK$0.185 per Rights Share on the basis of six (6) Rights Shares for every one (1) New Share held at the close of business on the Record Date. Details of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	Six (6) Rights Shares for every one (1) New Share held at the close of business on the Record Date
Subscription Price	:	HK$0.185 per Rights Share
Net price per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK$0.1793 per Rights Share (on the basis that all Rights Shares will be taken up)
Number of Existing Shares in issue as at the Latest Practicable Date	:	342,697,938 Existing Shares
Number of New Shares in issue upon the Capital Reorganisation becoming effective	:	171,348,969 New Shares (assuming there is no further issue or repurchase of Shares up to the effective date of the Capital Reorganisation)
Number of Rights Shares	:	Assuming no change in the number of issued Shares on or before the Record Date (other than as a result of the Capital Reorganisation) and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, up to 1,028,093,814 Rights Shares will be issued, representing (i) 600% of the issued share capital of the Company as at the date of the completion of the Capital Reorganisation; and (ii) 85.71% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Total number of Shares in issue immediately upon completion of the Rights Issue	:	Up to 1,199,442,783 New Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than in relation to the Capital Reorganisation) and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Up to approximately HK$190.20 million
Net proceeds from the Rights Issue	:	Up to approximately HK$184.33 million
Rights of excess application and underwriter	:	There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten
Compensatory Arrangements	:	Any Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis by the Placing Agent under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken-up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (a) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and (b) does not result in non-compliance with the public float requirement under Rule 13.32B of the Listing Rules.

The Subscription Price

The Subscription Price is HK$0.185 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares. The Subscription Price represents (assuming the Capital Reorganisation has become effective as at the Latest Practicable Date and there is no change in the number of Shares in issue from the Latest Practicable Date to the Record Date other than the Capital Reorganisation):

(i) a discount of approximately 63.73% to the adjusted closing price of HK$0.510 per New Share (based on the closing price of HK$0.255 per Existing Shares as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation);

(ii) a discount of approximately 21.61% to the adjusted closing price of HK$0.236 per New Share (based on the average closing price of HK$0.118 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(iii) a discount of approximately 21.34% to the adjusted average closing price of approximately HK$0.2352 per New Share (based on the average closing price of HK$0.1176 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(iv) a discount of approximately 25.28% to the adjusted average closing price of approximately HK$0.2476 per New Share (based on the average closing price of approximately HK$0.1238 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

(v) a discount of approximately 3.80% to the theoretical ex-rights price of approximately HK$0.1923 per New Share as adjusted for the effect of the Rights Issue, based on the adjusted closing price of HK$0.236 per New Share (based on the closing price of HK$0.118 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation as quoted on the Stock Exchange on the Last Trading Day;

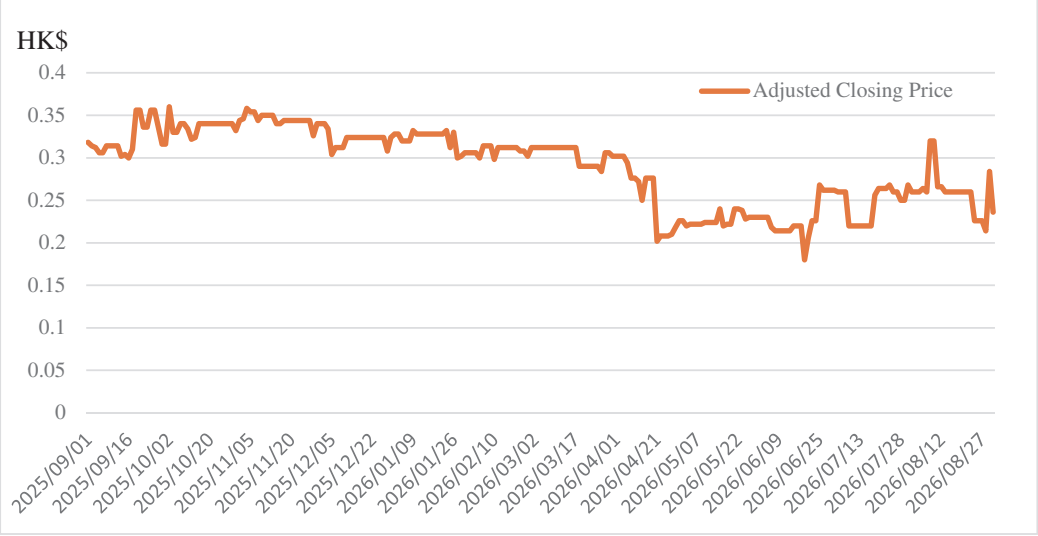
(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 18.52% to the theoretical diluted price of approximately HK$0.1923 per New Share based on the benchmarked price of approximately HK$0.236 per New Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.118 per Existing Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK$0.1176 per Existing Share, and the effect of the Capital Reorganisation);

(vii) a premium of approximately HK$4.3178 over the consolidated net liability value per New Share of approximately HK$4.1328 (based on the latest published audited consolidated net liability attributable to owners of the Company of HK$708.15 million as at 31 December 2025 and 342,697,938 Existing Shares in issue as at Latest Practicable Date); and

(viii) a premium of approximately HK$4.5095 over the consolidated net liability value per New Share of approximately HK$4.3245 (based on the latest published unaudited consolidated net liability attributable to owners of the Company of HK$741.00 million as at 30 June 2026 and 342,697,938 Existing Shares in issue as at Latest Practicable Date).

As stated in the Letter from the Board, the Subscription Price and the Rights Issue size were determined taking into consideration of (i) the short-term indebtedness of the Group; (ii) the funding needs and intended use of proceeds of the Rights Issue; (iii) the stressed financial position of the Group, particularly the net current liabilities of the Group of approximately HK$546.37 million as at 30 June 2026; and (iv) the prevailing market prices of the Shares.

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the daily closing prices of the Shares covering a period commencing from 1 September 2025 to 1 September 2026, being a period of 12 months up to and including the Last Trading Day (the "**Review Period**"); and (ii) the average daily trading volumes of the existing Shares for each of the months/periods during the Review Period. We consider that the Review Period is adequate to illustrate the historical trend and level of movements in the closing prices of the Shares, reflect prevailing market sentiment, and provide a general overview of the recent price and trading performance of the Shares. The chart below illustrates the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:



Source: The website of the Stock Exchange (http://www.hkex.com.hk)

During the Review Period, the adjusted closing prices of the Shares generally exhibited a downward and volatile trend. The adjusted closing price decreased from HK$0.318 per Share (equivalent to the closing price of HK$0.159 per Existing Share) on 1 September 2025 to HK$0.236 per Share (equivalent to the closing price of HK$0.118 per Existing Share) on the Last Trading Day, being 1 September 2026, representing an overall decrease of approximately 25.8%. During the Review Period, the highest adjusted closing price was HK$0.360 per Share (equivalent to the closing price of HK$0.180 per Existing Share) on 2 October 2025, while the lowest adjusted closing price was HK$0.180 per Share (equivalent to the closing price of HK$0.090 per Existing Share) on 18 June 2026. The adjusted daily closing prices of the Shares were generally above HK$0.300 per Share (equivalent to the closing price of HK$0.150 per Existing Share) during the first half of the Review Period, but generally traded below that level from the second quarter of 2026 onwards. The average adjusted daily closing price of the Shares during the Review Period was approximately HK$0.290 per Share (equivalent to the average daily closing price of approximately HK$0.145 per Existing Share). We note that the adjusted closing price of the Shares remained above the Subscription Price of HK$0.185 for most of the Review Period, although the gap narrowed significantly during certain periods.

We further note that the closing prices of the Shares experienced significant fluctuations on certain trading days during the Review Period, including double-digit percentage movements compared with the respective preceding trading days. For example, the adjusted closing price decreased by approximately 26.81% on 21 April 2026 to HK$0.202 per Share (equivalent to the closing price of HK$0.101 per Existing Share), increased by approximately 23.08% on 7 August 2026 to HK$0.320 per Share (equivalent to the closing price of HK$0.160 per Existing Share), and increased by approximately 32.71% on 31 August 2026 to HK$0.284 per Share (equivalent to the closing price of HK$0.142 per Existing Share), followed by a decrease of approximately 16.90% on 1 September 2026 to HK$0.236 per Share (equivalent to the closing price of HK$0.118 per Existing Share). Having reviewed the Company's announcements published during the Review Period, we did not identify any specific disclosed matter to which we could conclusively attribute the aforementioned price movements. As discussed with the Management, they were not aware of any particular reason for the fluctuations in the closing prices of the Shares during the Review Period. Accordingly, we have not attributed these movements to any particular corporate development or change in the Group's fundamentals.

The Subscription Price of HK$0.185 per Rights Share represents (i) a premium of approximately 2.8% over the lowest adjusted closing price of HK$0.180 per Share (equivalent to the closing price of HK$0.090 per Existing Share) during the Review Period; (ii) a discount of approximately 48.6% to the highest adjusted closing price of HK$0.360 per Share (equivalent to the closing price of HK$0.180 per Existing Share) during the Review Period; and (iii) a discount of approximately 36.2% to the average adjusted daily closing price of approximately HK$0.290 per Share (equivalent to the average daily closing price of approximately HK$0.145 per Existing Share) during the Review Period. In addition, the published announcement states that the Subscription Price represents (a) a discount of approximately 21.61% to the adjusted closing price of HK$0.236 per New Share (equivalent to the closing price of HK$0.118 per Existing Share) on the Last Trading Day; (b) a discount of approximately 21.34% to the adjusted average closing price of approximately HK$0.2352 per New Share (equivalent to the average closing price of HK$0.1176 per Existing Share) for the last five consecutive trading days immediately prior to the Last Trading Day; (c) a discount of approximately 25.28% to the adjusted average closing price of approximately HK$0.2476 per New Share (equivalent to the average closing price of HK$0.1238 per Existing Share) for the last ten consecutive trading days immediately prior to the Last Trading Day; and (d) a discount of approximately 3.80% to the theoretical ex-rights price of approximately HK$0.1923 per New Share (equivalent to approximately HK$0.09615 per Existing Share on a theoretical basis). Having considered the Company's stressed financial position, the relatively thin trading liquidity of the Shares and the need to enhance the attractiveness of the Rights Issue to encourage participation by Qualifying Shareholders, we consider that the Subscription Price was set at a level intended to provide an incentive for Qualifying Shareholders to subscribe for the Rights Shares and maintain their proportional interests in the Company.

Trading volume of the Shares

The table below sets out the average daily trading volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares as at the end of relevant month/period, during the Review Period:

	Total trading volume for the month/period	**Number of trading days in the month/period**	**Average daily trading volume for the month/period** *(Note 1)*	**Percentage of average daily trading volume to total number of Existing Shares (approximately)** *(Note 2)*
2025				
September *(Note 3)*	924,800	22	42,036	0.012%
October	1,689,600	20	84,480	0.025%
November	541,200	20	27,060	0.008%
December	315,600	21	15,029	0.004%
2026				
January	2,143,200	21	102,057	0.030%
February	499,600	17	29,388	0.009%
March	332,000	22	15,091	0.004%
April	2,852,400	19	150,126	0.044%
May	1,982,400	19	104,337	0.030%
June	1,596,000	21	76,000	0.022%
July	910,000	22	41,364	0.012%
August	3,514,400	21	167,352	0.049%
September *(Note 4)*	5,552,000	1	5,552,000	1.620%

Source: Website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month.

3. Since the start of the Review Period, 1 September 2025.

4. Up to the end of the Review Period, 1 September 2026.

As illustrated in the table above, the percentage of average daily trading volume of Shares during the Review Period ranged from 0.004% to 1.620% of the total number of Existing Shares as at the end of their respective month/period. The trading volume of the Shares was relatively higher in January, April, August and September 2026 as compared to other months/periods during the Review Period and up to the Last Trading Day. We have reviewed Company's announcements published on the website of the Stock Exchange and discussed with the Management in this regard. As advised by the Management, save for the interim results announcement published on 31 August 2026, the Management were not aware of any specific reasons that may have an impact on the exceptionally high trading volume of the Shares in January, April, August and September 2026.

Given that the liquidity of the Shares was relatively thin during the Review Period, we are of the view that it is reasonable for the Subscription Price to be set at a discount to the average closing price of the Existing Shares during the Review Period in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Comparable analysis

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted a review of comparable transactions involving proposed rights issues announced by companies listed on the Stock Exchange in the three months preceding and including the Last Trading Day (the "**Comparable Transactions**"). To the best of our efforts and knowledge, we have identified 25 Comparable Transactions which we consider exhaustive. We believe that this list is fair, representative, and comparable to the Rights Issue, based on the following considerations: (i) all transactions involve the same type of proposed rights issue by listed companies on the Stock Exchange, facilitating meaningful comparison purposes; and (ii) the three-month period up to and including the Last Trading Day represents a reasonable timeframe to capture recent market practices under prevailing market conditions and sentiment for rights issues.

Independent Shareholders should note that the businesses, operations, prospects, and market capitalisation of the Group may differ from or vary significantly compared to those of the listed companies undertaking the Comparable Transactions. The Comparable Transactions set out below are provided solely for the purpose of offering a general insight into the terms of proposed rights issues announced during the said three-month period. Accordingly, these examples should not be construed as a direct reflection of the Group's circumstances, but rather as a broad reference to recent market practices under prevailing conditions. Details of the Comparable Transactions are set out below:

Date of announcement	Company	Stock Code	Basis of entitlement	Premium/(discount) of subscription price per rights issue share over to closing price per share on the last trading day prior to announcement of rights issue	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue	Premium/(discount) of subscription price per rights issue share over/to the net asset value per share	Theoretical dilution effect *(Note 1)*	Excess Application ("EA")/Placing *(Note 2)*	Placing commission	Minimum placing commission	Underwriting arrangement	Underwriting fee
				(%)	*(%)*	*(%)*	*(%)*		*(%)*	*(HK$)*		*(%)*
5 Jun 2026	Gaodi Holdings Limited	1676	1 for 2	(12.44)	(12.44)	(51.90)	4.31	Placing	0.75	Nil	N/A	Non-underwritten
11 Jun 2026	HK.AI Capital Limited	1140	1 for 2	(18.50)	(24.70)	(93.50)	8.20	Placing	0.25	Nil	N/A	Non-underwritten
15 Jun 2026	Asian Citrus Holdings Limited	73	3 for 1	(28.13)	(31.82)	(84.15)	23.86	Placing	1.00	100,000	N/A	Non-underwritten
18 Jun 2026	Cmon Limited	1792	3 for 1	(14.74)	(19.80)	Net liabilities	15.79	Placing	2.50	Nil	N/A	Non-underwritten
18 Jun 2026	China Wood International Holding Co., Limited	1822	1 for 1	(43.80)	(44.84)	5.48	22.42	Placing	1.50	Nil	N/A	Non-underwritten
23 Jun 2026	Imperium Technology Group Limited	776	1 for 2	(66.67)	(67.24)	(34.48)	22.34	Placing	3.00	Nil	N/A	Non-underwritten

Date of announcement	Company	Stock Code	Basis of entitlement	Premium/(discount) of subscription price per rights issue share over to closing price per share on the last trading day prior to announcement of rights issue	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue	Premium/(discount) of subscription price per rights issue share over/to the net asset value per share	Theoretical dilution effect *(Note 1)*	Excess Application ("EA")/Placing *(Note 2)*	Placing commission	Minimum placing commission	Underwriting arrangement	Underwriting fee
				(%)	*(%)*	*(%)*	*(%)*		*(%)*	*(HK$)*		*(%)*
24 Jun 2026	Biosyen Limited	1355	1 for 2	(51.43)	(50.29)	Net liabilities	17.14	Placing	1.50	Nil	N/A	Non-underwritten
9 Jul 2026	Hong Kong Entertainment International Holdings Limited	8291	3 for 1	(4.76)	(4.76)	Net liabilities	3.57	Placing	3.00	Nil	N/A	Non-underwritten
10 Jul 2026	Guoen Holdings Limited	8121	4 for 1	(24.21)	(27.27)	(72.52)	22.40	Placing	4.00	Nil	N/A	Non-underwritten
13 Jul 2026	KPM Holding Limited	8027	2 for 1	(13.80)	(16.40)	(65.50)	11.10	Placing	3.00	Nil	N/A	Non-underwritten
14 Jul 2026	Capital Industrial Financial Services Group Limited	730	1 for 1	0.81	(1.26)	(65.82)	1.10	Placing	2.00	Nil	N/A	Non-underwritten
15 Jul 2026	Flowing Cloud Technology Ltd	6610	4 for 1	(24.05)	(24.24)	(93.66)	19.39	Placing	1.00	2,000,000	N/A	Non-underwritten
16 Jul 2026	Pine Technology Holdings Limited	1079	1 for 2	(41.18)	(42.31)	221.20	14.32	EA	N/A	Nil	N/A	Non-underwritten
17 Jul 2026	Universal Health International Group Holding Limited	2211	4 for 1	(4.76)	(7.19)	(87.95)	5.75	Placing	3.00	Nil	N/A	Non-underwritten

Date of announcement	Company	Stock Code	Basis of entitlement	Premium/(discount) of subscription price per rights issue share over to closing price per share on the last trading day prior to announcement of rights issue	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue	Premium/(discount) of subscription price per rights issue share over/to the net asset value per share	Theoretical dilution effect *(Note 1)*	Excess Application ("EA")/Placing *(Note 2)*	Placing commission	Minimum placing commission	Underwriting arrangement	Underwriting fee
				(%)	*(%)*	*(%)*	*(%)*		*(%)*	*(HK$)*		*(%)*
23 Jul 2026	King International Investment Limited	928	2 for 1	(31.51)	(25.60)	(61.16)	21.00	Placing	1.50	Nil	N/A	Non-underwritten
24 Jul 2026	Yuk Wing Group Holding Limited	1536	3 for 1	(27.01)	(28.06)	(68.45)	21.99	Placing	1.00	Nil	N/A	Non-underwritten
29 Jul 2026	Easyhold Group Holdings Limited	1703	1 for 1	(48.98)	(47.03)	204.56	24.49	Placing	1.50	Nil	N/A	Non-underwritten
29 Jul 2026	Zhejiang United Investment Holdings Group Limited	8366	1 for 1	(14.29)	(14.29)	Net Liabilities	7.14	Placing	2.00	100,000	Non-fully underwritten	3.00
3 Aug 2026	Zhengwei Group Holdings Company Limited	2147	6 for 1	(28.57)	(28.57)	(92.87)	24.49	Placing	1.50	Nil	N/A	Non-underwritten
12 Aug 2026	Alpha Professional Holdings Limited	948	1 for 1	(19.68)	(10.71)	203.03	9.64	EA	N/A	N/A	N/A	Non-underwritten
14 Aug 2026	Palinda Group Holdings Limited	8179	1 for 2	(50.00)	(50.00)	(97.20)	16.67	Placing	1.50	15,000	N/A	Non-underwritten

Date of announcement	Company	Stock Code	Basis of entitlement	Premium/(discount) of subscription price per rights issue share over to closing price per share on the last trading day prior to announcement of rights issue	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue	Premium/(discount) of subscription price per rights issue share over/to the net asset value per share	Theoretical dilution effect *(Note 1)*	Excess Application ("EA")/Placing *(Note 2)*	Placing commission	Minimum placing commission	Underwriting arrangement	Underwriting fee
				(%)	*(%)*	*(%)*	*(%)*		*(%)*	*(HK$)*		*(%)*
14 Aug 2026	Asia-Pac Financial Investment Company Limited	8193	2 for 1	20.48%	21.95%	(54.34)	N/A	Placing	3.00	Nil	N/A	Non-underwritten
17 Aug 2026	AI Energy Engineering Holdings Limited	1751	2 for 5	(7.80)	(8.32)	1,525.00	2.71	Placing	3.00	250,000	N/A	Non-underwritten
27 Aug 2026	Litian Pictures Holdings Limited	9958	4 for 1	(22.13)	(22.76)	Net Liabilities	18.21	Placing	1.00	Nil	N/A	Non-underwritten
27 Aug 2026	Hong Kong Robotics Group Holding Limited	370	1 for 2	(22.20)	(19.50)	(4.50)	7.41	EA	N/A	N/A	Fully-underwritten	7.07
	Maximum			20.48	21.95	1,525.00	24.49		4.00			
	Minimum			(66.67)	(67.24)	(97.20)	1.10		0.25			
	Average			(23.97)	(24.30)	56.56	14.39		1.93			
	Median			(22.20)	(24.24)	(63.33)	16.23		1.50			
	The Company	646	6 for 1	(21.61)	(21.34)	Net liabilities	18.52	Placing	3.00	No	Non-underwritten	N/A

Notes:

1. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") or Rule 10.44A of the Listing Rule, or extracted from the announcement, circular or prospectus in respect of the relevant rights issue.

2. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.

As illustrated in the table above, we observed that (i) 23 of the 25 Comparable Transactions had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue; (ii) 24 of the 25 Comparable Transactions had set the subscription price of their rights issue at a discount to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day; and (iii) 15 of the 25 Comparable Transactions had set the subscription price of their rights issue at a discount to the net asset value per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the closing price per share on the last trading day, the average closing price per share for the last five consecutive trading days and the net asset value per share, with the view to encourage participation.

The subscription price per rights share in the Comparable Transactions ranged from a discount of approximately 66.67% to a premium of approximately 20.48% to/over their respective closing price per share on the last trading day, with an average discount of approximately 23.97%. The Subscription Price represents a discount of approximately 21.61% to the adjusted closing price of the Shares on the Last Trading Day, which is within the range and lower than the average of the Comparable Transactions.

The subscription price per rights share in the Comparable Transactions ranged from a discount of approximately 67.24% to a premium of approximately 21.95% to/over their respective average closing price per share for the last five trading days up to and including or prior to the last trading day, with an average discount of approximately 24.30%. The Subscription Price represents a discount of approximately 21.34% to the average closing price of the Shares for the five consecutive trading days up to and including the Last Trading Day, which is within the range and broadly in line with the average of the Comparable Transactions.

The subscription prices to the net asset value per share of the Comparable Transactions ranged from a discount of approximately 97.20% to a premium of approximately 1,525.00% to/over their respective net asset value per shares, with an average premium of approximately 56.56%. Given that the net liabilities position of the Group, the Subscription Price represents a premium of approximately HK$4.5095 to the net liability value per share of the Company of approximately HK$4.3245 per New Share (based on the latest published unaudited consolidated net liability attributable to owners of the Company of HK$741.00 million as at 30 June 2026 and 342,697,938 Existing Shares in issue as at Latest Practicable Date).

The theoretical dilution effect of the rights issue conducted by the Comparable Transactions ranged from approximately 1.10% to approximately 24.49% with average of approximately 14.39%. The theoretical dilution effect of the Rights Issue of approximately 18.52% falls within the range of the Comparable Transactions.

Among the Comparable Transactions, we noted that 22 out of 25 Comparable Transactions exercise placing in their rights issues which outnumbers the number of excess applications. As such, we consider that it is reasonable for rights issue to have placing arrangements.

Despite the Subscription Price was below the closing prices of the Shares in most of the time during the Review Period, considering that (i) as shown in the table of the Comparable Transactions above, it a common market practice to issue rights shares at a discount to prevailing market price to enhance the attractiveness of the rights issue; (ii) the discounts of the Subscription Price to (1) the closing price on the Last Trading Day, and (2) the average closing price per share for the last five trading days up to and including or prior to the Last Trading Day are within the range of and broadly in line with or comparable to the average of the Comparable Transactions; and (iii) the Subscription Price represents a premium to the net liability value per share of the Company, we consider the Subscription Price is fair and reasonable.

The Placing Agreement

Extracted key terms of the Placing Agreement are shown below:

Date	:	1 September 2026 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Cheer Union Securities Limited The Placing Agent has confirmed that: it and its ultimate beneficial owner(s) are Independent Third Parties; and as at the Latest Practicable Date, neither the Placing Agent nor any of its associates hold any Shares.
Commission and expenses	:	3% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully procured by the Placing Agent and reimbursement for the expenses in relation to the Placing (including but not limited to all the costs and out-of-pocket expenses relating to the Placing actually, reasonably and properly incurred by the Placing Agent with the prior consent of the Company), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at the completion of the Placing.

Placing price of the Unsubscribed Rights Share and/or and the NQS Unsold Rights Share (as the case may be)	:	The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares and, in any event, the Placing price will not be less than the Subscription Price.
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the placees who and whose ultimate beneficial owner(s) are Independent Third Parties. The Placing shall not trigger any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing and the Company will continue to comply with the public float requirement under the Listing Rules upon completion of the Placing and the Rights Issue.
Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.

For further details of the Placing Agreement, please refer to section headed "The Placing Agreement" in the Letter from the Board. As stated in the Letter from the Board, the terms of the Placing Agreement (including the commission payable) were determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the existing financial position of the Group, the size of the Rights Issue, and the prevailing market conditions. We are of the view that it is on normal commercial terms with reference to the 22 Comparable Transactions that having placing arrangement, the commission charged by the placing agents in the 22 Comparable Transactions ranged between 0.25% to 4.00%, with an average of approximately 1.93%. Given the commission rate of 3.00% charged by the Placing Agent falls within the range of the 22 Comparable Transactions and 6 out of the 22 Comparable Transactions have the same commission rate of 3.00%, we concur with the view of the Directors that the commission rate charged by the Placing Agent under the Placing is fair and reasonable and on normal commercial terms.

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering these Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules. The Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders. Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders, we concur with the view of the Board that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. In particular, excess application is considered as a passive arrangement to facilitate additional participation of the Qualifying Shareholders. Taking into account the low liquidity of the Shares before the Last Trading Day, we consider it would be more desirable for the Company to adopt a more active measure by way of the Compensatory Arrangements to mitigate the uncertainty of the fundraising exercise.

Potential dilution effect

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed "CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE" in the Letter from the Board. Those Qualifying Shareholders who opt not to subscribe to the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue, with their aggregate interests potentially reduced by a maximum of approximately 85.71% in terms of shareholding percentage or a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 18.52% in terms of monetary value based on the theoretical diluted price of approximately HK$0.1923 per New Share. As illustrated in the table of the Comparable Transactions above, the theoretical dilution effect of the Comparable Transactions ranged from approximately 1.10% to 24.49%, with an average of 14.39%. Although the theoretical dilution effect of the Rights Issue of approximately 18.52% is higher than the average and median dilution effects of the Comparable Transactions of approximately 14.39% and 16.23%, respectively, taking into consideration that, (i) the theoretical dilution effect of the Rights Issue falls within the range of the Comparable Transactions, (ii) the proposed maximum net proceeds of approximately HK$184.33 million are intended to address the Group's identified funding requirements, comprising approximately HK$152.75 million for partial settlement of indebtedness and payables and approximately HK$31.58 million for working capital, against the backdrop of the Group's limited bank and cash balances of approximately HK$0.30 million and substantial net current liabilities of approximately HK$546.37 million as at 30 June 2026; (iii) the 6-for-1 entitlement ratio should be considered together with the Subscription Price of HK$0.185 and the amount of funding sought, as a lower entitlement ratio at the same Subscription Price would reduce the proceeds available to meet those requirements, whereas maintaining the same fund-raising amount through a lower entitlement ratio would require a higher subscription price and a correspondingly smaller discount to the prevailing market price; (iv) the Subscription Price represents a discount of approximately 21.61% to the adjusted closing price on the Last Trading Day, which is intended to encourage participation, while the theoretical dilution effect of the Rights Issue complies with the theoretical dilution limit as defined under the Listing Rules; and (v) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue, we consider that the potential dilution effect of the Rights Issue is acceptable.

Financial effects of the Rights Issue

Net tangible assets

According to the unaudited pro forma financial information of the Group set out in the Appendix II to the Circular, the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company was approximately HK$742.16 million as at 30 June 2026, while the unaudited consolidated net tangible liabilities per New Share before completion of the Rights Issue was approximately HK$4.33. Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company would reduce to approximately HK$557.83 million, while the unaudited pro forma adjusted consolidated net tangible liabilities per New Share immediately after completion of the Rights issue was approximately HK$0.46.

Liquidity

According to the Interim Report 2026, as at 30 June 2026, the Group's bank balances and cash were approximately HK$0.30 million and the Group had net current liabilities of approximately HK$546.37 million. Immediately upon completion of the Rights Issue, the bank balances and cash of the Group are expected to increase and the net current liabilities are expected to improve by the expected net proceeds from the Rights Issue of approximately HK$184.33 million, assuming full subscription and before application of the proceeds. As such, the liquidity of the Group will be improved upon the completion of the Rights Issue.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of
DL Securities (HK) Limited
Tommy Cheng
Managing Director
Corporate Finance Division

Mr. Tommy Cheng is a licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of DL Securities (HK) Limited. Mr. Tommy Cheng has over 15 years of experience in corporate finance industry.

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2023, 2024 and 2025 and for the six months ended 30 June 2026 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.cethl.com/) respectively:

(i) **Annual report for the year ended 31 December 2025 (pages 46 to 114):**
https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0429/2026042900631.pdf

(ii) **Annual report for the year ended 31 December 2024 (pages 41 to 108):**
https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0424/2025042400334.pdf

(iii) **Annual report for the year ended 31 December 2023 (pages 39 to 108):**
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042400590.pdf

(iv) **Interim report for the six months ended 30 June 2026 (pages 3 to 26)**
https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0917/2026091700482.pdf

B. INDEBTEDNESS

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2026, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

	HK$'000
Advance from staff – unsecured and unguaranteed *(note g)*	2,775
Amount due to a related party – unsecured and unguaranteed *(note g)*	6,117
Amount due to a shareholder – unsecured and unguaranteed *(note g)*	6,041
Amounts due to directors – unsecured and unguaranteed *(note g)*	39,613
Bank borrowings – secured and guaranteed *(note a)*	29,155
Bond payable – unsecured and unguaranteed *(note b)*	3,000
Entrusted borrowings – secured and guaranteed *(note c)*	53,821
Lease liabilities – unsecured and unguaranteed	555
Other borrowings – unsecured and unguaranteed *(note d)*	84,928
Other payable – unsecured and unguaranteed *(note e)*	88,095
Principal amount of convertible bond – unsecured and unguaranteed *(note f)*	9,360
	323,460

Note:

a. The bank loans of approximately HK$29,155,000 are secured by properties owned by a company controlled by the Investor and personal guarantees by an executive Director or by personal guarantees by directors of the Company's subsidiaries. The effective discount interest rate on the bank loans is from 2.40% to 3.95% per annum.

b. The Group has issued one unlisted straight bond to one independent investor in an aggregate principal amount of HK$3,000,000 (the "**Bond**"). The Bond is unsecured, with a fixed interest rate of 8% per annum and redeemable in full upon the maturity, i.e. three or four years from the date of issue. All outstanding amount of the Bond is overdue as at 31 August 2026.

c. On 19 March 2013, Shenzhen CETH Environmental Technology Co. Limited* ("**SZ CETH**"), a wholly owned subsidiary of the Company, entered into an entrusted loan agreement with an independent third party through commissioning a bank to borrow a loan of RMB50,000,000 for a period of three years from 23 April 2013 to 22 April 2016, and extended one year to 21 April 2017 when expired. The loan is secured by a guarantee from the Company. On 26 March 2019, the lender has decided to extend the repayment of this entrusted loan, for which, RMB25,000,000 of the entrusted loan shall be repaid on or before 31 December 2019 while the other RMB25,000,000 to be repaid on or before 31 December 2020. The effective interest rate of the entrusted loan (which also equals contractual interest rate) was 12% per annum. During the year ended 31 December 2020, the Group had repaid approximately RMB4,000,000. Approximately RMB46,000,000 of the entrusted loan was overdue as at 30 September 2026.

d. The Group had other loans of approximately HK$84,928,000, with a weighted average effective interest rate of approximately 18% per annum. Of these loans, approximately HK$5,188,000 is secured by a director's property and the remainder is unsecured.

e. The Company and Sure Fast agreed the final settlement sum relating to 2021 Due Convertible Bonds should be US$11,294,265.68 plus an interest (the "**Interest**") calculated as US$168,613.7 + US$9,520,000 × 10% / 365 × Number of days from 28 June 2021 to the date on which the Settlement Sum is paid in full.

   The Company shall pay the Settlement Sum to Sure Fast in three instalments as follows:

   a. 1st instalment: US$5,647,132.84 on or before 31 December 2026;

   b. 2nd instalment: US$5,647,132.84 on or before 30 June 2027; and

   c. 3nd instalment: the entire sum of the Interest on or before 31 December 2027.

   Please refer to the announcements of the Company dated 29 April 2026, 7 June 2026, 2 July 2026 and 6 September 2026 for further information.

f. On 16 January 2018, the Company issued convertible bonds in an aggregate principal amount of US$7,000,000 (equivalent to approximately HK$54,600,000) with a coupon rate of 8% (the "**Convertible Bonds**") to an independent third party (the "**Original Bondholder**"). The Convertible Bonds would mature from the date of issue to 15 January 2021 representing maturity period of 3 years, and can be converted into a maximum of 265,048,544 conversion shares of the Company at the conversion price of HK$0.206 per conversion share upon full exercise of the conversion rights within the period of the 12 months after the issue date of the bonds up to the maturity date.

   On 10 January 2021, the Company and the Original Bondholder verbally agreed to amend the terms and conditions of the Convertible Bonds in order to extend the maturity date and the conversion period of the Convertible Bonds. Accordingly, the Company and the Original Bondholder entered into the deed of amendments on 16 March 2021 to extend (i) the maturity date to 31 July 2021, and (ii) the conversion period to 30 July 2021 (the "**CB Extension**"). The CB Extension took effect on 18 March 2021. As a result of the CB Extension, the liability and equity components were extinguished by approximately HK$683,000 and HK$15,350,000 respectively based on revaluation upon date of the execution, i.e. 18 March 2021. The revaluation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement.

* *for identification purpose only.*

On 19 July 2021, the Original Bondholder deposited the bond certificate of the Convertible Bonds with the duly completed form of transfer at the principal place of business of the Company, and the Company issued a new bond certificate in favour of Mr. Zhang Zihong (the "**New Bondholder**"). On 26 July 2021, the Company and the New Bondholder entered into the deed of amendments in respect of the proposed amendments, pursuant to which the Company agreed with the New Bondholder to amend certain terms and conditions of the Convertible Bonds (The "**CB Amendments**"), including extending the maturity date to 31 July 2024 and adjusting conversion price to HK$0.025 per conversion shares. The CB Amendments took effect on 28 September 2021. As a result of the CB Amendments, the liability and equity components were loss on amendments of terms by approximately HK$15,490,000 based on revaluation upon date of the execution, i.e. 28 September 2021. The valuation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement.

On 29 July 2024, the Company received a conversion notice from one of the bondholders in respect of the exercise of the conversion rights attached to the convertible bonds with the principle amount of US$3,500,000 (equivalent to HK$27,300,000) at the conversion price of HK$0.5 per conversion share. Accordingly, 54,600,000 conversion shares, representing approximately 21.65% of the total number of issued shares immediately before the conversions and approximately 15.93%of the total number of issued shares enlarged by the issue of the conversion shares immediately after the conversions, were allotted and issued to the Bondholder on 5 August 2024.

On 30 July 2024, the Company received a conversion notice from one of the bondholders in respect of the exercise of the conversion rights attached to the convertible bonds with the principle amount of US$2,300,000 (equivalent to HK$17,940,000) at the conversion price of HK$0.5 per conversion share. Accordingly, 35,880,000 conversion shares, representing approximately 14.23% of the total number of issued shares immediately before the conversion and approximately 10.47% of the total number of issued shares enlarged by the issue of the conversion shares immediately after the conversion, were allotted and issued to Bondholder on 5 August 2024.

On 30 July 2024, the Company and the holders of the unconverted Convertible Bonds with principal amount of US$1,200,000 (the "**Unconverted Convertible Bonds**") verbally agreed to amend the terms and conditions of the Unconverted Convertible Bond (the "**Amendments**") in order to extend the maturity date and the conversion period of the Unconverted Convertible Bonds. Accordingly, the Company executed a deed of amendments with each of the bondholders on 29 November 2024 to amend the terms and conditions of the Unconverted Convertible Bonds, including extending the maturity date to 31 July 2027 and the conversion period to 30 July 2027. The Amendments took effect on 12 December 2024.

g. Advance from staff, amounts due to a related party, a shareholder and directors are unsecured and have no fixed repayment terms.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 30 September 2026, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since indebtedness; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

C. WORKING CAPITAL

As at 30 June 2026, the Group had a net shareholders' deficit of approximately HK$738,043,000 and its current liabilities exceeded its current assets by approximately HK$546,365,000 while it had cash and cash equivalents of approximately HK$298,000. As at 30 June 2026, the Group's bank loans, entrusted loans, other loans, bonds, and trade and other payables amounted to an aggregate of approximately HK$576,482,000, which were repayable within one year or on demand. Among these, as at 30 June 2026, the Group's overdue entrusted loans, other loans and bonds amounted to approximately HK$53,060,000, HK$2,423,000 and HK$3,000,000, respectively, while the Group's cash and cash equivalents amounted to approximately HK$298,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of this circular after taking into consideration of the following:

- the Group is making every effort to expand its presence in the energy management and wastewater treatment markets and to strive for increased revenue from its principal operations;

- the Board is continuing to broaden the Group's financing channels and have officially engaged a financial advisor to assist to formulate a fund raising plan through single or multiple channels including but not limited to the issuance of ordinary bonds, convertible bonds, or share placements and the Rights Issue;

- the executive Directors have been continuously seeking an agreement with deferral of payments or debt restructuring with the holder of the entrusted loan;

- as disclosed in the announcement of the Company dated 4 September 2026, the Company has reached a mutually agreed settlement schedule with the Subscriber of the Convertible Bonds due 2021 for the settlement of the Convertible Bonds due 2021;

- the Group has been actively negotiating with banks and other lending institutions on loan renewal or alternative refinancing and new financing facilities, and all bank loans that have matured year-to-date have been successfully renewed;

- the Board is continuing to consider debt and group restructuring for certain capital-deficient subsidiaries to reduce the level of liabilities; and

- an executive Director has confirmed that he will provide an adequate financial support to the Group in an amount of not less than HK$130,000,000 to ensure the Group's continuing operation for a period of at least fifteen months from the date of this circular.

The Directors have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from the date of this circular. They are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements as and when they fall due within the next twelve months from the date of this circular.

The shareholders of the Company should note that the validity of the statement of the working capital sufficiency of the Group as mentioned above depends on the outcome of the plans and measures undertaken or being undertaken by the Group, which are subject to inherent uncertainties, including:

- the liquidity, value stability and timeliness of the Director's personal assets for the Group's use when needed;
- the active expansion of its presence in the energy management and wastewater treatment markets and the ability to increase revenue from its principal operations;
- the successful procurement of sufficient funds through alternative refinancing and borrowings;
- the continued deferral of payments in respect of settled litigation cases;
- the implementation of debt and group restructuring for certain capital-deficient subsidiaries of the Group, where necessary, to reduce the level of liabilities;
- whether the Group will be able to obtain additional capital from fund raising activities to finance the operations of the Group as and when needed; and
- whether the Group will be able to obtain financing of not less than HK$130,000,000 from an executive Director as and when needed and whether the conditions for the provision of financing exist throughout the forecast period.

Should the Group be unable to successfully implement the plans and measures as mentioned above, the Group may not have sufficient working capital to meet its requirements within the next twelve months from the date of this circular.

D. MATERIAL ADVERSE CHANGE

The Board confirmed that, save as disclosed below, there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

In connection with the 2021 Due Convertible Bond, the High Court made a judgment on 1 April 2026 declaring its validity and the Court of Appeal made a court order on 29 June 2026 dismissing the appeal by the Company in relation to the validity of the 2021 Due Convertible Bonds.

As a result, the Company agreed with its auditors that the Group's consolidated financial statements for the year ended 31 December 2025 should be restated to reflect the financial impact of the 2021 Due Convertible Bonds, taking into account the amount payable to the bondholder which was approximately HK$109 million as at 31 December 2025.

As a result of the restatement, the Group's consolidated net liabilities as at 31 December 2025 is increased by approximately RMB70 million.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) the environmental protection business, comprising the construction and operation of wastewater treatment plants for cities and towns, the trading of wastewater treatment machinery, equipment, consumables and accessories, environmental protection technology and equipment system integration and the provision of environmental project technical services in the PRC (the "**Wastewater Treatment Business**"); and (ii) the energy management business, which currently focuses on agency services for electricity market trading, power system operation and management, virtual power plant consulting and electricity trading strategy and decision-support services in the PRC (the "**Energy Management Business**").

The Group generated revenue of approximately HK$30.7 million during the year ended 31 December 2025 ("**FY2025**"), representing an increase of approximately 8.7% as compared with approximately HK$28.2 million for the year ended 31 December 2024 ("**FY2024**"). Revenue from the Wastewater Treatment Business amounted to approximately HK$27.4 million for FY2025 and remained largely flat as compared with FY2024 (approximately HK$27.4 million), comprising sales of complete sets of wastewater treatment equipment of approximately HK$22.4 million (FY2024: approximately HK$27.0 million) and sales of wastewater treatment consumables, equipment accessories and related services of approximately HK$5.1 million (FY2024: approximately HK$0.4 million), and was derived principally from the completion of the Shenzhen Futian, Songshen (Phases II and III), Xizhaotong, Zaozhuang Shizhong, Zhengzhou Shangjie and Chizhou projects. Revenue from the Energy Management Business, which commenced operations in the second half of 2024 under an asset-light operating model, increased to approximately HK$3.2 million for FY2025 (FY2024: approximately HK$0.8 million) following the successive launch of electricity transfer services, air-conditioning energy-saving renovation services, virtual power plant consulting services and energy management trading strategy services during the year, and accounted for approximately 10.6% of the Group's total revenue for FY2025.

The Group generated revenue of approximately HK$17.9 million during the six months ended 30 June 2026 ("**1H2026**"), representing a decrease of approximately 5.9% as compared with approximately HK$19.0 million for the six months ended 30 June 2025 ("**1H2025**"). Revenue from the Wastewater Treatment Business amounted to approximately HK$16.8 million for 1H2026 (1H2025: approximately HK$17.8 million) and was derived principally from the completion of the Shenzhen Shahe project (approximately HK$10.3 million), the Baotou Donghe East project (approximately HK$3.7 million), the Baimahu project (approximately HK$1.6 million) and the Hefei Bailonggang project (approximately HK$1.2 million), as the Group focused on urban wastewater treatment and water environment restoration and on improving the quality and operational efficiency of its water services. Revenue from the Energy Management Business remained stable at approximately HK$1.1 million (1H2025: approximately HK$1.1 million), as the Group continued to deepen its involvement in integrated power services and, following the disposal of its Ningxia subsidiary during 1H2026, concentrated on developing the power service market in Inner Mongolia where it enjoys technological advantages.

The Group generated gross profit of approximately HK$9.2 million for FY2025 (FY2024: approximately HK$7.8 million), representing a gross profit margin of approximately 29.8% (FY2024: approximately 27.6%). The increase in gross profit and gross profit margin for FY2025 was mainly attributable to the high gross profit margin of the Energy Management Business, which was more than twice that of the Wastewater Treatment Business in FY2025, and its increased contribution to the Group's total revenue. The Group generated gross profit of approximately HK$6.4 million for 1H2026 (1H2025: approximately HK$5.6 million), representing an increase of approximately 15.1% notwithstanding the decrease in revenue, and a gross profit margin of approximately 35.8% (1H2025: approximately 29.2%). The increase in gross profit and gross profit margin for 1H2026 was mainly attributable to the cost-saving measures implemented by the Group, including the streamlining of its workforce from 56 employees as at 31 December 2025 to 41 employees as at 30 June 2026, with the Wastewater Treatment Business and the Energy Management Business recording gross profit margins of approximately 35.5% and 39.5%, respectively, the latter benefiting from its refined operating model and high-quality customised services.

The Group recorded a loss attributable to owners of the Company of approximately HK$52.4 million for FY2025, representing an increase of approximately 70.5% as compared with approximately HK$30.7 million for FY2024.

The Group recorded a loss attributable to owners of the Company of approximately HK$24.1 million for 1H2026, representing a decrease of approximately 18.6% as compared with approximately HK$29.6 million (as restated) for 1H2025, mainly attributable to (i) the decrease in administrative expenses by approximately 22.4% to approximately HK$12.0 million (1H2025: approximately HK$15.4 million) as a result of the cost-saving measures implemented by the Group; (ii) the reversal of impairment on trade receivables of approximately HK$3.4 million upon recovery of the corresponding receivables of the Wastewater Treatment Business; and (iii) the gain of approximately HK$1.0 million on the disposal of the Group's Ningxia subsidiary.

As at 30 June 2026, the Group had bank and cash balances of approximately HK$0.3 million (31 December 2025: approximately HK$1.7 million), net current liabilities of approximately HK$546.4 million (31 December 2025: approximately HK$522.0 million, as restated) and net liabilities of approximately HK$738.0 million (31 December 2025: approximately HK$703.9 million, as restated), and its gearing ratio (being total debts divided by total assets) was approximately 917.5% (31 December 2025: approximately 821.1%, as restated). The Group's bank loans, entrusted loan, other loans, bonds and trade and other payables repayable within one year or on demand amounted to approximately HK$576.5 million as at 30 June 2026, of which the entrusted loan of approximately HK$53.1 million (in respect of which a court judgement has been obtained against Shenzhen CETH Environmental Technology Co., Limited* with the Company being jointly and severally liable as guarantor), other loans of approximately HK$2.4 million and bonds of approximately HK$3.0 million were overdue.

Given the highly intense market competition and slow economy recovery, despite the Group having submitted numerous tenders with an aim to obtain more engagements, the tender success rate was low. The Board has reviewed the reasons for the Group's relatively low tender success rate in wastewater engineering projects. After fifteen years of rapid development, the incremental business of the traditional wastewater treatment industry in the PRC, whether in the construction of municipal wastewater facilities or the remediation of black and odorous water bodies, has passed its peak and is gradually transitioning to the upgrading of existing facilities. Under the 15th Five-Year Plan and the development trend of the environmental protection industry, technological innovation, the application of energy-saving and carbon-reduction technologies and industrial upgrading have become increasingly prominent, while environmental protection equipment manufacturers, technology service providers and general contractors alike are facing intensified competition and "involution". Although the Group's technical service capabilities remain at the forefront of the industry and it enjoys high market recognition, in the current economic downturn the Group frequently faces the multiple pressures of price wars, declining industry average gross margins and stringent project payment terms in project competition. In the power sector, by contrast, the national "30·60" dual carbon goals are clear, the construction of a new power system has been designated as a priority of the construction of the national "six networks", and the National Development and Reform Commission, the National Energy Administration and the Ministry of Industry and Information Technology have issued a series of supporting policy documents and clarified the timeline for establishing a unified national power market, so that the market space for green power trading, integrated energy management, virtual power plants and the flexible regulation of new energy resources continues to expand. The Board considers that these developments present both severe challenges and significant opportunities for the Group: tens of thousands of wastewater treatment plants across the PRC will need to be upgraded progressively to improve water reuse rates and achieve energy conservation and carbon reduction targets, and the innovative technologies and products which the Group is developing and acting as agent for have wider market coverage, are suited to future market demand and can be synergistically integrated with the Energy Management Business in zero-carbon industrial parks, an application scenario promoted by the State.

In response to the new market environment, the Group has formulated a "2+3+1" business adjustment plan for the Wastewater Treatment Business. "2" refers to the Group's mature magnetic coagulation and sand-ballasted high-rate sedimentation technologies, in respect of which the Group will continue to consolidate its existing market with the emphasis on stabilising its base business rather than pursuing rapid, large-scale growth. "3" refers to technological innovation in collaboration with Tianjin University, other research institutions and partners, including the development of innovative and industry-leading magnetic biochemical technology and aerobic granular sludge technology for the biological treatment stage of wastewater treatment plants, and the cooperation intention reached with Zhongqi Water Technology (Shenzhen) Co., Ltd.* to act as agent for the nationwide promotion of its proprietary EDNR extreme denitrification technology, thereby extending the Group's technology chain from advanced treatment to biological treatment. "1" refers to acting as agent for unique and leading environmental protection equipment products: on 1 September 2026, the Group entered into a national (non-exclusive) agency agreement with Shandong Zhicheng Water Development Co., Ltd.* in respect of seven categories of multi-disc sludge dewatering machines based on leading Japanese technology to expand income channels; the Group is also negotiating the agency rights for screw-type sludge dewatering machines. In parallel, the wastewater treatment business unit has adopted measures to improve the Group's tender success rate, including strengthening pre-tender market analysis, deepening the Group's involvement at the early stage of projects, strengthening cooperation with agents and distributors, optimising its bidding and pricing strategy, and forming consortia with qualified, capable and well-funded mechanical and electrical general contractors to bid for projects. Through differentiated and multi-category services, the Group aims to meet the diverse needs of customers, move away from homogeneous competition and sustain the technological leadership and performance growth of the Wastewater Treatment Business. The Board expects that, subject to appropriate funding support being made available to the Wastewater Treatment Business, the new technologies will possess the basic conditions for mature commercial promotion by the first quarter of 2027, and the Group will strive to achieve a breakthrough in revenue from new technologies and products in 2027.

For the Energy Management Business, after the exploration and adjustment period from 2025 to date, the operating team has become relatively stable, the business of the core subsidiary is stable and gradually expanding in scale, and the business is showing a trend of steady development. Building on its existing technologies and asset-light business model, the Group will continue to expand its market scale, with virtual power plants and electricity trading strategy services as its core carriers and zero-carbon industrial parks as a breakthrough scenario, and will continue to recruit and train energy and power professionals as the business develops, with a view to increasing its share of the Group's total revenue and developing it into one of the Group's main business units and a major source of income. The Group will also strengthen the industrial synergy, resource connectivity and value linkage between the water and power sectors along the "water-energy-carbon" industry chain under its dual-engine strategy of "water as the foundation and electricity as the wings". At the same time, the Group recognises that the Energy Management Business still relies to a considerable extent on subsidy policies at its early stage, that the stability of its market-based profitability remains to be verified, that its agency contracts are on a revenue-sharing basis without guaranteed minimum fees, and that the Group needs to strengthen its reserve of multi-skilled personnel who understand environmental protection, the power market and digital technology.

Taking into account the above, the Board is of the view that, with its traditional business being revitalised through innovation and upgrading and its new business developing steadily and identifying new commercial opportunities, and leveraging the Company's ability to raise funds in the capital market to integrate resources, funds and talent more efficiently, the Group is capable of achieving breakthrough progress within the next one to two years. The Board remains optimistic about the long-term development of the Wastewater Treatment Business and the Energy Management Business, while remaining prudent in respect of the Group's near-term revenue given the competitive environment and the Group's liquidity constraints.

In view of the liquidity pressure faced by the Group, the Group will continue to proactively progress with (i) the expansion of its presence in the energy management and wastewater treatment markets so as to increase revenue from its principal operations, including through the implementation of the "2+3+1" business adjustment plan and the tender improvement measures described above; (ii) the broadening of its financing channels, for which the Board has engaged a financial adviser to assist in formulating fund-raising plan through single or multiple channels including, but not limited to, the issuance of ordinary bonds, convertible bonds or share placements, with the proceeds of future financing to be applied principally to the development of the Energy Management Business and to provide appropriate funding support for the promotion of the new technologies and agency products of the Wastewater Treatment Business; (iii) the negotiation of a deferral of payments or debt restructuring with the holder of the entrusted loan and of a settlement agreement with the subscriber of the Convertible Bonds due 2021; (iv) the negotiation with banks and other lending institutions on loan renewals, alternative refinancing and new financing facilities, all bank loans that matured in 2026 up to the date of the 2026 interim report having been successfully renewed; and (v) debt and group restructuring for certain capital-deficient subsidiaries to reduce the level of liabilities. In addition, an executive Director has confirmed that he will provide financial support to the Group in an amount of not less than HK$130.0 million to ensure the Group's continuing operation for a period of at least fifteen months from the date of this circular. Furthermore, the Group will continue to negotiate with different financial institutions in respect of its outstanding borrowings, with a view to improving its liability and financial gearing conditions and transitioning from a period of financial survival to a stage of sustainable revitalisation.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Introduction

The following unaudited pro forma statement of adjusted condensed consolidated net tangible assets of the Group attributable to the owners of the Company (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circular" issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effect of the Rights Issue on the condensed consolidated net tangible liabilities of the Group as at 30 June 2026 attributable to the owners of the Company as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the condensed consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2026 or at any future date; and

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2026 is prepared by the Directors based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2026, extracted from the Group's consolidated financial statements for the six months ended 30 June 2026, on which an interim report has been published, with adjustments described below.

	Unaudited condensed consolidated net tangible liabilities attributable to owners of the Company as at 30 June 2026 *HK$'000 (Note 1)*	**Unaudited estimated net proceeds from the Rights Issue** *HK$'000 (Note 2)*	**Unaudited pro forma adjusted condensed consolidated net tangible liabilities attributable to owners of the Company as at 30 June 2026 immediately after the completion of the Rights Issue** *HK$'000*	**Unaudited condensed consolidated net tangible liabilities attributable to owners of the Company per New Share as at 30 June 2026 before the completion of the Rights Issue** *HK$ (Note 4)*	**Unaudited Pro forma adjusted condensed consolidated net tangible liabilities attributable to owners of the Company per New Share as at 30 June 2026 immediately after the completion of the Rights Issue** *HK$ (Note 5)*
Based on six Rights Shares for every one New Share at the Subscription Price of HK$0.185 per Rights Share	(742,155)	184,330	(557,825)	(4.32)	(0.46)

Notes:

1. The condensed consolidated net tangible liabilities of the Group attributable to owners of the Company of approximately HK$742,155,000 as at 30 June 2026 is based on the condensed consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2026 of approximately HK$740,996,000 less right-of-use assets and intangible assets of approximately HK$570,000 and HK$589,000 respectively, as extracted from the published interim report of the Group for the six months ended 30 June 2026.

2. The estimated net proceeds from the Rights Issue of approximately HK$184,330,000 are based on six Rights Shares to be issued at the Subscription Price of HK$0.185 per Rights Share and after deducting estimated related expenses, including among others, placing commission, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK$5,870,000.

3. The Company has proposed a capital reorganisation which will involve a share consolidation, pursuant to which every two issued and unissued existing shares of par value of HK$0.5 each will be consolidated into one consolidated share of par value of HK$1.00 each (the "**Share Consolidation**"). The details of the capital reorganisation are set out in the section headed "PROPOSED CAPITAL REORGANISATION" in the Letter from the Board, as contained in this circular.

   By way of illustration, assuming the Share Consolidation had been completed on 30 June 2026, the 342,697,938 existing shares of the Company in issue as at that date would have been consolidated into 171,348,969 consolidated shares (the "**New Share(s)**") upon completion of the capital reorganisation.

4. The calculation of unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2026 per New Share before the completion of the Rights Issue is based on the unaudited consolidated net tangible liabilities of the Group as at 30 June 2026 of approximately HK$742,155,000, divided by 171,348,969 New Shares.

5. The calculation of unaudited pro forma adjusted condensed consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2026 per New Share immediately after the completion of the Rights Issue is based on unaudited pro forma adjusted condensed consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2026 immediately after the completion of the Rights Issue of approximately HK$557,825,000, being the aggregate unaudited condensed consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2026 of approximately HK$742,155,000 and the estimated net proceeds from the Rights Issue of approximately HK$184,330,000, divided by 1,199,442,783 New Shares which represents the sum of 171,348,969 New Shares in issue and 1,028,093,814 Rights Shares (assuming no new shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after the completion of the Rights Issue, as if the Rights Issue had been completed on 30 June 2026.

6. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2026.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Infinity CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



Infinity CPA Limited
Room 1501, 15th Floor
Olympia Plaza
255 King's Road
North Point, Hong Kong

The Board of Directors of
China Environmental Technology Holdings Limited

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Environmental Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted condensed consolidated net tangible liabilities as at 30 June 2026 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 6 November 2026 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of six rights shares for every one new share at the subscription price of HK$0.185 per rights share (the "**Rights Issue**") on the Group's condensed consolidated financial position as at 30 June 2026 as if the Rights Issue had taken place at 30 June 2026. As part of this process, information about the Group's condensed consolidated financial position has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for the six months ended 30 June 2026, on which an interim report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2026 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the Rights Issue, and to obtain sufficient appropriate evidence about whether:

- The unaudited related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the Rights Issue in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Infinity CPA Limited
Certified Public Accountants
Hong Kong

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 Company. 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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately following the completion of the Capital Reorganisation but before the completion of the Rights Issue; and (c) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation) will be, as follows:

(a) As at the Latest Practicable Date

	Number of Shares	**HK$**
Authorised	1,000,000,000 Existing Shares	500,000,000
Issued and fully-paid	342,697,938 Existing Shares	171,348,969

(b) Immediately after the Capital Reorganisation becomes effective

	Number of Shares	**HK$**
Authorised	50,000,000,000 New Shares	500,000,000
Issued and fully-paid	171,348,969 New Shares	1,713,489.69

(c) Immediately after completion of the Rights Issue

	Number of Shares	HK$
Authorised	50,000,000,000 New Shares	500,000,000
Issued and fully-paid or credited as fully-paid	171,348,969 New Shares	1,713,489.69
Rights Shares to be allotted and issued under the Rights Issue	1,028,093,814(1) New Shares	10,280,938.14
Shares in issue immediately after the Rights Issue	1,199,442,783(2) New Shares	11,994,427.83

Note:

(1) Assuming no change in the number of issued Shares on or before the Record Date, other than as a result of the Capital Reorganisation, and that no new Shares, other than the Rights Shares will be allotted and issued on or before completion of the Rights Issue;

(2) Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than in relation to the Capital Reorganisation and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue.

In the period between 31 December 2025 (being the date to which the Company's latest published audited accounts were prepared) and the Latest Practicable Date, the Company did not issue any Shares.

The Rights Shares (when allotted, issued and fully-paid or credited as fully-paid) will rank pari passu in all respects with the Existing Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. The Rights Shares (in both nil-paid and fully-paid forms) will be traded in the board lots of 10,000 Shares. No part of the equity or debt securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, there are 10,808,000 outstanding Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe a total of 10,808,000 Shares under the Share Option Scheme; and outstanding Convertible Bonds in an aggregate principal amount of US$1,200,000 which entitle the holders to convert into 18,720,000 Existing Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

As at the Latest Practicable Date, the Company does not hold any treasury shares.

3. DISCLOSURE OF INTERESTS

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 or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix C3 to the Listing Rules (the "**Model Code**") were as follows:

(a) Director's and chief executive's interest and short positions in shares of the Company or its associated corporations

Name of Directors	Capacity/ nature of interests	Number of Shares Interested	Long/ Short Position	Approximate Percentage of Shareholding in the Company (%)
Mr. Xu Zhongping	Interest in controlled corporation*(Note)* beneficial owner	91,513,921	Long	26.70
Mr. Yang Baodong	Beneficial owner	39,600	Long	0.01%
Ms. Hu Yueyue	Beneficial owner	400,000	Long	0.12%

Note:

53,429,000 shares were held under the name of Gentle. Classy Jade owns 60% of the issued shares capital of Gentle and Classy Jade held 35,880,000 shares. Mr. Xu Zhongping is the controlling shareholder of Classy Jade. Mr. Xu Zhongping was therefore deemed to be interested in the said 53,429,000 shares held by Gentle and 35,880,000 shares held by Classy Jade under Part XV of the SFO.

(b) Director's and chief executive's interest and short positions in underlying shares and debentures of the Company or its associated corporations

Name of Directors	Capacity/ nature of interests	Number of Underlying Shares (Unlisted and Physically Settled Equity Derivative) Interested*(Note)*	Approximate Percentage of Shareholding in the Company (%)
Mr. Xu Zhongping	Beneficial owner	1,824,000	0.53
Mr. Yang Baodong	Beneficial owner	1,824,000	0.53
Ms. Hu Yueyue	Beneficial owner	528,000	0.15

Note:

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme, as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The share option scheme has become valid and effective for a period of ten years ended on 9 September 2020. As at the Latest Practicable Date, the total number of securities for issue under the share option scheme was 10,808,000 shares which represents 3.15% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or chief executives of the Company has any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV 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 (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(c) Interests of substantial Shareholders

Name of shareholders	Capacity/ nature of interest	Total Number of Shares Interested	Long/ Short Position	Approximate Percentage of Shareholding in the Company (%)
Gentle	Interest of a controlled corporation(Note)	53,429,000	Long	15.59
Classy Jade	Interest of a controlled corporation(Note)	35,880,000	Long	10.47
Mr. Xu Zhongping	Beneficial owner	2,204,921	Long	0.64
Mr. Zhang Zihong	Beneficial owner	88,580,000	Long	25.85

Notes:

Classy Jade owns 60% of the issued share capital of Gentle. Mr. Xu Zhongping is the controlling shareholder of Classy Jade and was therefore deemed to be interested in the said 53,429,000 shares held by Gentle and 35,880,000 shares held by Classy Jade under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall 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 by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates (as defined in the Listing Rules) has any interest in any business that competes or may compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

None of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no litigation or claims of material importance is pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

Save for the following, there was no material contract (not being contracts entered into in the ordinary course of business) which had been entered into by the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the Placing Agreement.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion, letter or advice contained in this circular (the "**Experts**"):

Name	Qualification
Infinity CPA Limited	Certified Public Accountants Registered Public Interest Entity Auditors
DL Securities	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding interest 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, none of the Experts had any interest, direct or indirect, in any assets which had been 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 since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. EXPENSE

The expenses in relation to the Rights Issue and the Placing (including financial advisory fee, printing, translation, registration, legal, accounting, levy, documentation charges and placing commission) payable by the Company are estimated to be approximately HK$5.87 million, subject to the final subscription.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	*Executive Directors:* Mr. Xu Jingping *(Chairman)* Mr. Xu Zhongping *(Chief Executive Officer)* Mr. Yang Baodong *Non-executive Directors:* Ms. Hu Yueyue Mr. Ma Tianfu Mr. Wang Youming *Independent non-executive Directors:* Mr. Tse Chi Wai Prof. Geng Lin Prof. Zhu Nanwen Prof. Li Jun
Audit Committee	Mr. Tse Chi Wai *(Chairman)* Prof. Geng Lin Prof. Zhu Nanwen Prof. Li Jun
Nomination Committee	Mr. Xu Jingping *(Chairman)* Mr. Tse Chi Wai Prof. Geng Lin Prof. Zhu Nanwen Prof. Li Jun
Remuneration Committee	Mr. Tse Chi Wai *(Chairman)* Prof. Geng Lin Prof. Zhu Nanwen Prof. Li Jun

Registered Office	P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Head office and principal place of business	Unit 901, New Tech Plaza 34 Tai Yau Street San Po Kong Kowloon, Hong Kong
Company Secretary	Mr. Li Wang Hing, Nelson
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	**Vistra (Cayman) Limited** P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Principal bankers	**Hang Seng Bank Limited** 83 Des Voeux Road Central, Central, Hong Kong
Auditors	**ZHONGHUI ANDA CPA Limited** *Certified Public Accountants* *Registered Public Interest Entity Auditors* 23/F, Tower 2 Enterprise Square Five Kowloon Bay Hong Kong
Reporting accountants	**Infinity CPA Limited** Room 1501, 15th Floor Olympia Plaza 255 King's Road North Point, Hong Kong
Financial adviser	**Eminence Capital Partners Limited** Unit 7, 16/F, Fortune Commercial Building 362 Sha Tsui Road Tsuen Wan New Territories, Hong Kong

Legal adviser to the Company as to Hong Kong laws	**Robertsons** 57/F., The Center 99 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	**DL Securities (HK) Limited** 21/F, DL Tower, 92 Wellington Street, Central, Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Xu Jingping, aged 64, brother of Mr. Xu Zhongping, appointed as Chairman, executive Director and chairman of the Nomination Committee since 23 December 2020, graduated from China University of Political Science and Law with a bachelor's degree in law. Mr. Xu Jingping was a principal staff of the Auditing Department of the People's Bank of China and has over 20 years in department store management, in particular, high end branded stores and factory outlets. Since 2002, Mr. Xu Jingping involves in commercial real estate sector and property consultancy work. From May 2008 to June 2015, Mr. Xu Jingping was one of the senior managements in department store operations of Powerlong Real Estates Holdings Limited (01238.HK). Before joining the Company, Mr. Xu Jingping was a director of private real estate consultancy firm.

Mr. Xu Jingping was a director or legal representative of each of the following private companies registered in the People's Republic of China prior to their respective dissolution and/or revocation of business licenses: Guangzhou Haizhu District Helede Trading Company* (廣州市海珠區合利德貿易公司) by way of voluntary liquidation in 1998 due to cessation of business; Beijing Xing Ma Tai Trading Company Limited* (北京星馬泰商貿有限公司), Chengdu Jinfu Industrial Company Limited* (成都錦福實業有限責任公司) and Beijing Donghao Advertising Co., Ltd.* (北京東豪廣告有限公司) by way of revocation of business licenses in 2006, 2007 and 2009, respectively due to being inactive with no business commenced for certain period. Mr. Xu Jingping confirmed that each of the said companies was solvent at the time of its dissolution or revocation of business license; there was no wrongful act on his part leading to the above dissolution or revocation of business license; to his knowledge, such dissolution and revocation of business license had not or will not result in any actual or potential claims against him; and that such dissolution and revocation of business license had not resulted in any liability or obligations being imposed against him.

Mr. Xu Zhongping, aged 63, he was re-designated from non-executive Director to executive Director of the Company since 4 October 2021. He graduated from Nanjing University of Finance and Economics with a bachelor's degree. He has over 30 years of experience in corporate management, business investment and international economic strategic cooperation.

He independently created the famous domestic fashion brand Yinmeng Fashion* (銀夢時裝) in the 1990s, and cooperated with China New Technology Venture Capital Corporation* (中國新技術創業投資公司) to establish the most famous department store Beijing Scitech Plaza* (北京賽特購物中心) after the reform and opening-up, serving as its first managing director. He led the introduction of the largest supermarket chain, Carrefour* (家樂福連鎖超市集團), in France into China, serving as vice chairman and vice president on behalf of the Chinese side, and set up nearly 100 Carrefour supermarkets in Beijing, Shanghai and other major capital cities. He served as an executive director of the China International Economic and Cultural Promotion Association* (中國國際經濟文化促進會) in Hong Kong, promoting hundreds of economic and cultural exchanges between Hong Kong and the Mainland. From 2009 to date, he has become the controlling shareholder of the Company as a major shareholder together with several partners.

Mr. Yang Baodong, aged 51, graduated from Wuhan University of Surveying and Mapping, majoring in urban construction, bachelor of engineering, and registered project management expert of the American Project Management Institute. He joined the Group in 2014, successively served as assistant to the President and Vice President of the Group, and was appointed as the executive Director of the Company in June 2019. Mr. Yang Baodong has been engaged in management for 22 years in various industries such as construction, energy and environmental protection. He has more than 10 years of work experiences in listed companies in Hong Kong, and has extensive experience in project management, investment mergers and acquisitions, and mid-and long term planning of enterprises. From May 2015 to present, he has served as vice president of the Company and general manager of the core subsidiary of the Company, Beijing Jingrui Kemai Water Purification Technology Co., Ltd. ("**Beijing Jingrui**"). Under his leadership, Beijing Jingrui has edited one industry standard, four industry group standards, and newly applied for more than forty patents, becoming a leading enterprise in subdivided industries. Mr. Yang Baodong worked for China Gas Holdings Limited from July 2007 to April 2013, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 00384), and also successively served as the assistant general manager of China Gas Aisika Energy Holdings Co., Ltd., a joint venture between China Gas and South Korea SK Group, assistant General Manager of Planning and Development Department of China Gas Group. During his tenure, he was mainly responsible for industrial research, development and mergers and acquisitions, investment analysis, asset restructuring, introduction of corporate governance structure system of the urban pipeline gas projects, decentralized energy, biomass power plants, and natural gas power plants, as well as the establishment of the group's mid-and long-term plans and strategic plans, enterprise management system reform design and other work. From April 2013 to March 2014, he served as general manager of the project department of Guangdong Yueshang High-tech Co., Ltd., mainly responsible for the company's overall investment business development, including investment in technology real estate projects and equity projects and project mergers and acquisitions.

Non-executive Directors

Ms. Hu Yueyue, aged 46, she was re-designated from executive Director to non-executive Director of the Company since 4 January 2022. She has over 10 years experiences of investment and management in the healthcare sector. She has led many investment projects in the healthcare sector and relevant post-investment management. Ms. Hu started her career in sales and marketing with General Electric in Shenzhen. Before joining the Company, she served as a managing director of China Huarong International Holdings Limited in Hong Kong and was in charge of the private equity investment business department that primarily focused on healthcare sector. Prior to that, she served as a managing director in Golden Harmony Capital and was responsible for managing the company's investments. She also previously worked in New Horizon Capital in Beijing and was highly involved in investment, portfolio management and fundraising. Ms. Hu obtained a Bachelor degree from Tsinghua University, a Master degree from Yale University, and an MBA degree from Massachusetts Institute of Technology.

Mr. Ma Tianfu, aged 79, is a non-executive Director of the Company. Mr. Ma is a director of Gentle International Holdings Limited and Superform Investment Development Limited; he is also a director and senior engineer of Shanghai Shi Dong Kou Embankment Development Engineering Company Limited (上海石洞口圍堤開發工程有限公司). Mr. Ma graduated from Shanghai University of Electric Power (formerly known as Shanghai Electric Power School) in the PRC and completed a four-year bachelor degree in thermal engineering automatic system in power plants and has years of experience in the field of electricity power engineering and construction projects. He was awarded a Science and Technology Progress Award of Shanghai in 1993 issued by the Science and Technology Progress Awards Jury of Shanghai Municipality. Mr. Ma was issued with a certificate as a researcher for life of the Enterprises Committee of the Chinese Academy of Management Science in 2002. Mr. Ma joined the Group in 2012.

Mr. Wang Youming, aged 55, has a senior high school education and has 23 years of rich experience in corporate management and experience in the field of environmentally friendly new materials. Mr. Wang served in the headquarters of the Chinese People's Armed Police Force for more than 10 years in his early years. After demobilization in 2000, he founded Beijing Mingang Ruixiang Technology Co., Ltd., Beijing Jiayueming Technology Development Co., Ltd., Shandong Mingang Ruixiang Building Materials Technology Co., Ltd., Shandong Borui New Material Technology Co., Ltd., and hold the position of chairman in all these companies. He has achieved numerous scientific and technological achievements and awards in new environmentally friendly building materials and resource utilization of phosphogypsum solid waste, which has been widely used. Relevant technical products have been included in the Catalogue of Major Environmental Protection Technology and Equipment Encouraged by the State and have an important influence in the industry. Mr. Wang joined the Group in 2023.

Independent non-executive Directors

Mr. Tse Chi-wai, aged 57, is an Independent Non-Executive Director of the Company. Mr. Tse has over thirty years of experience in auditing, accounting, and finance, having worked for several international accounting firms and listed companies. He graduated from the University of Hong Kong in June 1989 with a Bachelor of Social Sciences degree. Mr. Tse is a practicing member of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Association of Chartered Certified Accountants (ACCA), a Chartered Accountant of the Institute of Chartered Accountants in England and Wales, and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse previously served as an Executive Director of China Information Technology Development Co., Ltd. (stock code: 8178), an Independent Non-Executive Director of Sunac China Holdings Limited (stock code: 1918), an Independent Non-Executive Director of Green Holdings Limited (stock code: 1318), an Independent Non-Executive Director of Huarong Investment Stock Corporation Limited (stock code: 2277), an Independent Non-Executive Director of Chong Kin Group Holdings Limited (stock code: 1609), and an Independent Non-Executive Director of Winto Group (Holdings) Limited (stock code: 8238). He served as an independent non-executive director of Fuk Tin Company Limited (stock code: 8196), a Hong Kong-listed company, from November 2015 to February 2025. He is currently an executive director of Shanghai Junglin Environmental Technology Company Limited (上海叢麟環保科技股份有限公司), a company listed on the Shanghai Stock Exchange STAR Market (上海證券交易所科創板) since August 2022, stock code 688370. Mr. Tse is also an independent non-executive director of Hollwin Urban Operation Service Group Co., Ltd,, which is listed on main board of the Stock Exchange of Hong Kong (stock code: 2529). Mr. Tse joined the Group in May 2015.

Professor Geng Lin, age 62, graduated from Harbin Institute of Technology in July 1985 with a bachelor's degree in Metallic Materials and Heat Treatment, and in December 1990 with a doctoral degree in Materials Science. Professor Geng has long served at Harbin Institute of Technology, holding several important positions including Dean, Party Secretary, Professor, and Doctoral Supervisor of the School of Materials Science and Engineering. He also serves as Secretary-General of the Teaching Steering Committee for Materials Science and Engineering of the Ministry of Education, a member of the Materials Science and Engineering Discipline Evaluation Group of the Academic Degrees Committee of the State Council, an expert reviewer for the National Natural Science Foundation of China, an expert in the key research and development program of the Ministry of Science and Technology, a director of the Chinese Materials Research Society, Chairman of the Heilongjiang Provincial Society of Composite Materials, and an editorial board member of several research publications. He has received numerous honors, including Humboldt Scholar, National Science Fund for Distinguished Young Scholars, New Century Talent of the Ministry of Education, and Outstanding Young and Middle-aged Expert of Heilongjiang Province. Professor Geng has long been engaged in teaching and research in the field of metal matrix composites and has published over 300 SCI-indexed papers and 4 monographs. He has presided over more than 30 projects, including the National Key Research and Development Program and the National Natural Science Foundation of China, and has been granted 48 national invention patents.

Professor Zhu Nanwen, aged 57, is an independent non-executive director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. He is a second-level professor and doctoral supervisor of Shanghai Jiao Tong University and an outstanding academic leader in Shanghai. He is currently the executive director of the "Shanghai Solid Waste Treatment and Recycling Engineering Research Center", and concurrently serves as the director of the expert committee of the "Shanghai Industrial Wastewater Treatment and Resource Professional Technical Service Platform", the "Ministry of Housing and Urban-Rural Development Urban Appearance and Sanitation Standardization Technical Committee", the "China Civil Engineering Society Municipal Branch" Council Member, "Shanghai Organic Solid Waste Pollution Control and Resource High-Value Utilization Professional Technical Service Platform" Technical Committee Member, "National Sludge Treatment and Disposal Industry Technology Innovation Strategic Alliance" Executive Director, etc. He has been engaged in research on solid waste and wastewater treatment technology for a long time. He has been authorized with more than 60 invention patents; won the first prize of Shanghai Science and Technology Invention Award, the first prize and second prize of Shanghai Science and Technology Progress Award, and won the second prize of National Science and Technology Progress Award.

Prof. Li Jun, aged 61, is an independent non-executive Director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. He is the Registered Environmental Protection Engineer, a professor and PhD student tutor in Beijing University of Technology, director of Research Institute of Municipal Engineering and Supervisor of Sewage and Sludge Treatment and Recycling Technology Research Laboratory in Beijing University of Technology. He obtained the Doctorate Degree in Environmental Engineering from Harbin Institute of Technology in 1995. From 1996 to 1999, he worked as a post-doctorate researcher in Chiba University of Japan. Prof. Li has been engaged in the research for sewage treatment technology for many years and completed over 40 national and provincial subjects research. He is a well-known domestic expert in water affair. He is currently the director of China Water Industry Association CCES, the standing director of the Committee of Water Recycling of Chinese Society of Environmental Science, the deputy director of Water Pollution Control Committee of China Association of Environmental Protection Industry, Deputy Secretary General of the Committee of Environmental Engineering of Chinese Society of Environmental Sciences and the evaluation expert of National Natural Science Foundation of China and National 863 Program. Prof. Li joined the Group in 2016.

Senior Management

Mr. Liu Dong, holds a bachelor's degree in engineering majoring in mechanical and electrical engineering from Northwestern Polytechnic University; graduated from a postgraduate course in business management at Capital University of Economics and Business. Mr. Liu is currently the executive general manager of the core subsidiary Beijing Jingrui, responsible for the company's daily operation and management. He has 30 years of experience in the military, automotive, construction, and environmental protection industries, as well as mid-and high-level management experience in the enterprise; strong enterprise operation and comprehensive management capabilities in enterprise management and technical management. Mr. Liu has been working in Shaanxi Aircraft Industry (Group) Co., Ltd. since 1989. He has successively served as a technician, aircraft instrument engineer, and company representative in the field. He has worked in Beiqi Foton Motor Co., Ltd. since 2000. He has held various positions such as minister, deputy director of the business department, and deputy general manager of the independent legal person company. Since 2010, Mr. Liu worked in a number of environmental protection companies, successively served as deputy general manager, executive deputy general manager and other positions, responsible for the company's daily operations and management. Mr. Liu joined the Group in 2016.

Mr. Li Wang Hing, Nelson, is the Company Secretary of the Company. Mr. Li holds a master degree of business administration from the University of Leicester in U.K. and a master degree of professional accounting from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and is also a qualified Chartered Secretary designated as fellow member of both The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Chartered Secretaries. At present, he is the Honorary Auditor of Hong Kong Seamen's Union and the Council Member of Shipping Employees Union. Mr. Li joined the Group in 2008.

Ms. Shi Chen, is the Group's financial controller. Ms. Shi is a non-practicing member of the Chinese Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. She graduated from Renmin University of China with a master's degree in business administration. Ms. Shi has 18 years of professional work experience in the financial field of enterprises and accounting firms. She has extensive experience in financial analysis, financial management, auditing, tax planning, corporate due diligence and mergers and acquisitions. Ms. Shi joined the Group in 2017.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.cethl.com/) for 14 days from the date of this circular:

(a) the annual reports of the Company for each of the three financial years ended 31 December 2023, 2024 and 2025 and the interim report of the Company for the six months ended 30 June 2026;

(b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 55 to 56 of this circular;

(c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-27 of this circular;

(d) the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(e) the material contracts referred to in the paragraph headed "**8. MATERIAL CONTRACTS**" of this appendix; and

(f) the written consents referred to in paragraph headed "**9. EXPERTS AND CONSENTS**" of this appendix.

14. MISCELLANEOUS

(a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong;

(b) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities;

(c) The principal place of business in Hong Kong of all Directors and authorised representatives of the Company is Unit 901, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong; and

(d) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
中國環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 646)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of China Environmental Technology Holdings Limited (the "**Company**") will be held at Room 3216, Block A, Pengrun Building, 26 Xiaoyun Road, Chaoyang District, Beijing on Thursday, 26 November 2026 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions of the Company. Capitalised terms defined in the circular dated 6 November 2026 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

SPECIAL RESOLUTION

1. "**THAT** subject to and conditional upon: (i) the Stock Exchange granting the listing of, and permission to deal in the New Shares (as defined below) in issue and to be issued upon the Capital Reorganisation (as defined below) being effective; (ii) the Directors signing the solvency statement in accordance with the requirements of the Companies Act; (iii) registration by the Registrar of Companies in the Cayman Islands; and (iv) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation, the Capital Reduction (as defined below) and Share Subdivision (as defined below), with effect from the date on which the above conditions are fulfilled:

   (a) every two (2) issued and unissued Existing Shares of par value of HK$0.50 each be consolidated (the "**Share Consolidation**") into one (1) consolidated share of par value of HK$1.00 each (the "**Consolidated Share**"), and such Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the articles of association of the Company;

   (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors of the Company may think fit;

(c) immediately following the Share Consolidation, the authorised share capital of the Company be changed from HK$500,000,000 divided into 1,000,000,000 ordinary shares of par value of HK$0.5 each to HK$500,000,000 divided into 500,000,000 ordinary shares of par value of HK$1.00 each;

(d) immediately following the Share Consolidation becoming effective, the issued share capital of the Company be reduced by cancelling the paid-up share capital of the Company to the extent of HK$0.99 on each of the then issued Consolidated Shares of par value of HK$1.00 each such that the par value of each issued Consolidated Share be reduced from HK$1.00 to HK$0.01 (the "**Capital Reduction**") and the credit arising from the Capital Reduction in the amount of approximately HK$169.6 million be transferred to a contributed surplus account of the Company and the contributed surplus account be applied by the Directors for such purposes permitted under the Companies Act and the Articles;

(e) immediately following the Share Consolidation and the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK$1.00 each in the authorised share capital of the Company be subdivided into one hundred (100) authorised but unissued shares of par value of HK$0.01 each in the share capital of the Company (the "**New Share**") (the "**Share Subdivision**"), such New Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the articles of association of the Company;

(f) immediately following the Capital Reduction and the Share Subdivision, the authorised share capital of the Company be increased and changed from HK$500,000,000 divided into 500,000,000 ordinary shares of par value of HK$1.00 each to HK$500,000,000 divided into 50,000,000,000 ordinary shares of par value of HK$0.01 each; and

(g) any one of the Directors and the registered office provider of the Company be and are hereby authorised severally to do all such acts and things and execute and deliver all such documents, which are ancillary to the Capital Reorganisation, on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Share Consolidation, the Capital Reduction and the Share Subdivision (collectively, the "**Capital Reorganisation**")."

ORDINARY RESOLUTION

2. "**THAT** subject to the passing of special resolution number 1 above and the satisfaction of the conditions set out in the Letter from the Board under the heading "Conditions of the Rights Issue" in the Circular:

   (a) allotment and issue of up to 1,028,093,814 Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date) (the "**Rights Shares**") in the share capital of the Company pursuant to an offer by way of rights issue (the "**Rights Issue**") to the shareholders of the Company (the "**Shareholders**") at the subscription price of HK$0.185 per Rights Share on the basis of six (6) Rights Shares for every one (1) New Share held by the Shareholders whose names appeared on the register of members of the Company on Wednesday, 30 December 2026 (the "**Record Date**") as described in further details in the Circular (a copy of which marked "A" is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and on and subject to such terms and conditions as may be determined by the directors (the "**Director(s)**") of the Company, be and is hereby approved, confirmed and ratified;

   (b) to the extent that the Rights Issue is not fully subscribed, the allotment and issue of any Unsubscribed Rights Shares and NQS Unsold Rights Shares (being part of the Rights Shares authorised under paragraph (a) above) to independent Placees under the Placing or Compensatory Arrangements on a best effort basis pursuant to the Placing Agreement, be and is hereby approved, confirmed and ratified;

   (c) subject to the terms of, and the Company's entry into and performance of the placing agreement dated 1 September 2026 entered into between the Company and Cheer Union Securities Limited (the "**Placing Agreement**") (a copy of which marked "B" is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), in relation to the placing of the Rights Shares not fully subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (d) any one of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents as he/she/they consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

By order of the Board
China Environmental Technology Holdings Limited
Xu Jingping
Chairman and Executive Director

Hong Kong, 6 November 2026

Registered office:
Vistra (Cayman) Limited
P.O. Box 31119, Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 901
New Tech Plaza
34 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the EGM convened is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his/her/it stead. A proxy need not be a shareholder of the Company.

2. In order to be valid, the form of proxy, must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. before 11:00 a.m. on Tuesday, 24 November 2026) or adjourned meeting.

3. The record date for determining the entitlement of the holders of Shares to attend and vote at the EGM will be Thursday, 26 November 2026. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 20 November 2026 to Thursday, 26 November 2026, both days inclusive, during which period no transfers 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, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 19 November 2026.

4. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM and in such event, the relevant form of proxy shall be deemed to be revoked.

5. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive Directors are Mr. Xu Jingping, Mr. Xu Zhongping and Mr. Yang Baodong; the non-executive directors are Ms. Hu Yueyue, Mr. Ma Tianfu and Mr. Wang Youming; and the independent non-executive directors are Mr. Tse Chi Wai, Professor Geng Lin, Professor Zhu Nanwen and Professor Li Jun.