
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 a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Carbon Neutral Development Group Limited (the “Company”), you should at once hand this circular, together with the enclosed 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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中國碳中和發展集團有限公司
China Carbon Neutral Development Group Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1372)

**(I) CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

VEDA | CAPITAL
智 略 資 本

Resolution(s) will be proposed at the extraordinary general meeting of the Company to be held at Room B, 33rd Floor, Nuode Financial Centre, Fuzhong 3rd Road, Futian District, Shenzhen, Guangdong Province, PRC on Monday, 29 December 2025 at 10:30 a.m. (the “EGM”) to approve the matters referred to in this circular.

The notice convening the EGM together with the form of proxy for use at the EGM are enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://carbonneutral.com.hk>).

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deliver it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the proxy form shall be deemed to be revoked.

5 December 2025

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 30 May 2025 and 31 October 2025 in relation to, among others, the connected transaction involving the proposed issue of the Convertible Bonds under the Specific Mandate
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	in relation to any Convertible Bonds at any time the person whose name appears in the register of holder of the Convertible Bonds maintained by the Company
“Bond Instruments”	the instruments to be executed by the Company in the form of a deed under and pursuant to which the Convertible Bonds are to be constituted and issued
“business day(s)”	means a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for business in Hong Kong
“China Eco Investment”	China Eco Investment Limited (中國生態產業投資有限公司), a company incorporated in British Virgin Islands and a substantial shareholder of the Company
“Company”	China Carbon Neutral Development Group Limited, a 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: 1372)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.28, being the conversion price per Share at which the Convertible Bonds may be converted into Conversion Shares, subject to the terms and conditions of the Convertible Bonds, and subject to adjustments (if any)

DEFINITIONS

“Conversion Share(s)”	a maximum of 205,926,712 Shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bond(s)”	the convertible bond(s) in an aggregate principal amount of HK\$57,659,479.52 to be issued by the Company to the Subscribers under the Subscription Agreements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders at Room B, 33rd Floor, Nuode Financial Centre, Fuzhong 3rd Road, Futian District, Shenzhen, Guangdong Province, PRC on Monday, 29 December 2025 at 10:30 a.m. to consider and, if thought fit, to approve the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Green Assets”	Green Assets Management Limited (綠色資產管理有限公司), a company incorporated in Hong Kong with limited liability
“Green Securities”	Green Securities Group Limited (綠色証券集團有限公司), a company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Veda Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Indebtedness”	the outstanding debts of the Company which are due and owing to the Subscribers totaling HK\$57,659,479.52 as at the date of the Settlement and Offset Agreements

DEFINITIONS

“Independent Board Committee” or “IBC”	an independent board committee comprising the independent non-executive Directors which has been established by the Board to advise the Independent Shareholders on the Subscription Agreements and the transactions contemplated thereunder (including the Specific Mandate)
“Independent Shareholder(s)”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolutions with respect to the Subscription Agreements and the transactions contemplated thereunder
“Issuance Date”	the initial issuance date of the Convertible Bonds under and pursuant to the terms and conditions contained in the Bond Instruments
“Latest Practicable Date”	4 December 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“Settlement and Offset Agreements”	collectively, the settlement and offset agreements dated 30 May 2025 entered into by Green Assets and Green Securities with the Company, pursuant to which the Subscribers agree to subscribe for the Convertible Bonds in consideration of the Indebtedness, and the Company agrees to issue the Convertible Bonds to the Subscribers to offset the Indebtedness
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights under the terms of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Green Securities and Green Assets
“Subscription”	the issue and subscription of the Convertible Bonds pursuant to the Subscription Agreements
“Subscription Agreement A”	the subscription agreement dated 30 May 2025 entered into between the Company and Green Securities in connection with the issue and subscription of the Convertible Bonds
“Subscription Agreement B”	the subscription agreement dated 30 May 2025 entered into between the Company and Green Assets in connection with the issue and subscription of the Convertible Bonds
“Subscription Agreements”	collectively, Subscription Agreement A and Subscription Agreement B
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong
“%”	percentage

LETTER FROM THE BOARD



中國碳中和發展集團有限公司
China Carbon Neutral Development Group Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1372)

Executive Directors:

Mr. Di Ling (*Chief Executive Officer*)
Mr. Lu Xiangyong
Mr. Cheung Hiu Tung (*Vice President*)

Registered Office:

89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

Non-executive Directors

Mr. Chen Yonglan (*Chairman*)
Mr. Geng Zhiyuan
(Mr. Chen Lui as his alternative)
Mr. Zhong Guoxing (*Deputy Chairman*)

*Head Office and Principal Place of
Business in Hong Kong:*

Unit 1201, 12/F.
Landmark South
39 Yip Kan Street
Wong Chuk Hang
Hong Kong

Independent Non-executive Directors:

Mr. Wang Jiasi
Mr. Cao Ming
Ms. Qiao Yanlin

5 December 2025

To the Shareholders

Dear Sir/Madam,

**(I) CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements in relation to, among others, the entering into of the Subscription Agreements by the Company and the Subscribers in relation to the proposed issue of the Convertible Bonds under the Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of the Subscription Agreements involving the issue of the Convertible Bonds under the Specific Mandate to be sought at the EGM; (ii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

BACKGROUND

During January 2023 and April 2025, to address the Company's operational and financial requirements, the Company obtained loans from certain creditors (the "**Original Creditors**"). During 2 January 2025 and 30 April 2025, Green Assets and Green Securities acquired debts from the Original Creditors in an aggregate principal amount of approximately HK\$47.5 million and HK\$29.8 million, respectively (the "**Loan Arrangement**"). Set out below is the details of the original debts due to each of the Original Creditors (the "**Original Debts**"):

LETTER FROM THE BOARD

Original Debts acquired by Green Assets

Name of the Original Creditors	Date of incurring the Original Debts	Date of acquisition of the Original Debts	Principal amount involved (HK\$)	Interest rate	Maturity date	Outstanding balance before being acquired by Green Assets (HK\$)	Ultimate beneficial owners of the Original Creditors (where applicable)	Original Creditors' relationship with the Company and its connected persons	Original Creditors' relationship with the Subscribers and their ultimate beneficial owner	Reason for/purpose of incurring the Original Debts	Consideration for the acquisition of the Original Debts (HK\$)
China Eco Investment	Various dates between 16 March 2023 and 26 February 2024	2 January 2025	33,650,000	4.90% and 8.00%	Various dates between 15 March 2024 and 25 February 2025	36,621,165	Sha Tao	substantial shareholder of the Company	None	Operating expenses including equity investment, rental fees, employees' salaries, repayment of loans and professional service fees	33,000,000
Million Sensible Limited	1 January 2024	2 January 2025	10,035,150	8.50%	31 December 2024	10,888,138	Chen Aizheng	None	None	Operating expenses including rental fees, equity investment, professional service fees and employees' salaries	9,800,000
Total			43,685,150			47,509,303					

LETTER FROM THE BOARD

Original Debts acquired by Green Securities

Name of the Original Creditors	Date of incurring the Original Debts	Date of acquisition of the Original Debts	Principal amount involved (HK\$)	Interest rate	Maturity date	Outstanding balance before being acquired by Green Securities (HK\$)	Ultimate beneficial owners of the Original Creditors (where applicable)	Original Creditors' relationship with the Company and its connected persons	Original Creditors' relationship with the Subscribers and their ultimate beneficial owner	Reason for/ purpose of incurring the Original Debts	Consideration for the acquisition of the Original Debts (HK\$)
Green Financial Holding Group Limited	26 January 2023	2 January 2025	2,000,000	4.90%	24 January 2024	2,189,288	Wu Mingming	None	Wu Mingming is the ultimate beneficial owner of Green Securities	Operating expenses including employees' salaries and equity investment	1,950,000
Li Siqi	7 August 2024	2 January 2025	300,000	8.00%	6 November 2024	309,600	N/A	None	None	Operating expenses including professional service fees	270,000
Hai Shixun	Various dates between 25 March 2024 and 30 April 2025 ⁽¹⁾	2 January 2025 and 30 April 2025	13,749,334.52	8.00%	Various dates between 3 January 2025 and 29 May 2025	14,275,484.52	N/A	substantial shareholder of the Company	None	Operating expenses including employees' salaries, rental fees and professional service fees	12,750,000
Shu Tao	25 April 2024	23 January 2025	7,384,000	8.00%	24 October 2024	7,825,826	N/A	substantial shareholder of the Company	None	Operating expenses including equity investment	7,250,000

LETTER FROM THE BOARD

Name of the Original Creditors	Date of incurring the Original Debts	Date of acquisition of the Original Debts	Principal amount involved (HK\$)	Interest rate	Maturity date	Outstanding balance before being acquired by Green Securities (HK\$)	Ultimate beneficial owners of the Original Creditors (where applicable)	Original Creditors' relationship with the Company and its connected persons	Original Creditors' relationship with the Subscribers and their ultimate beneficial owner	Reason for/ purpose of incurring the Original Debts	Consideration for the acquisition of the Original Debts (HK\$)
Di Ling	Various dates between 27 November 2023 and 4 January 2024	31 January 2025	3,250,000	8.50%	Various dates between 26 May 2024 and 27 June 2024	3,544,736	N/A	Executive Director	None	Operating expenses including equity investment, employees' salaries and rental fees	3,150,000
Chen Lei	19 July 2023 and 1 March 2024	28 February 2025	1,500,000	8.50% and 8.00%	18 January 2024 and 28 February 2025	1,677,287	N/A	None	None	Operating expenses including equity investment, carbon asset authentication fee, employees' salaries and professional service fees	1,150,000
Total			<u>28,163,334.52</u>			<u>29,822,221.51</u>					

LETTER FROM THE BOARD

Note:

- (1) On 30 April 2025, the Company borrowed a loan at principal amount of HK\$340,000 from Hai Shixun to address the Company's operational requirements, in particular, to pay for the remuneration of employees of the Group. The interest rate of such loan is at 8% and the maturity date of which is 29 May 2025. On 30 April 2025, Green Securities acquired the Original Debts incurred by the Company between 18 July 2024 and 30 April 2025 from Hai Shixun at a total consideration of HK\$12,750,000. As part of the same transaction, all debts owed to Hai Shixun, including those incurred on 30 April 2025, were sold together with earlier debts to Green Securities to facilitate a comprehensive and efficient transfer of the entire debt portfolio.

Prior to the Loan Arrangement, the Company was unable to settle the overdue Original Debts for the following reasons:

- (a) the Company faced challenges in securing external financing during 2023 and 2024 due to its weakened financial position and lack of acceptable collateral. Attempts to approach banks and financial institutions for loans were unsuccessful or involved unfavorable terms, such as high interest rate or excessive collateral requirements;
- (b) to sustain operations and avoid business disruptions, the Company prioritized essential expenses, such as staff salaries, supplier payments, and trade payable settlements, over debt repayments; and
- (c) the Company incurred significant accumulated losses during this period, further exacerbating its inability to settle overdue debts.

The Company had informal understandings with the Original Creditors that repayment would not be immediately demanded. Through the interactions with the Company, the Original Creditors and the Company reached a tacit mutual understanding based on the recognition of the Company's financial challenges and the shared objective of preserving the Company's long-term viability. As such, the Original Creditors refrained from initiating legal actions or demanding immediate repayment (if applicable) during the period leading up to the Loan Arrangement.

Mr. Wu Mingming, the ultimate beneficial owner of Green Assets and Green Securities, is familiar with China forestry development and China carbon assets. He has a long-standing acquaintance with Mr. Hai Shixun, one of the substantial shareholders of the Company and one of the Original Creditors, with whom he has maintained a personal friendship over the years. The Company had no involvement in any events leading to the Loan Arrangement. Mr. Hai Shixun was the one who introduced Green Assets and Green Securities to the other Original Creditors, excluding himself.

LETTER FROM THE BOARD

In January 2025, shortly after the Loan Arrangement, the Subscribers issued a repayment letter to the Company, demanding repayment of the outstanding debts. In February 2025, the Company entered into communication with the Subscribers regarding the Indebtedness. During this discussion, the Company, facing tight cash flow constraints, expressed its willingness to explore alternative methods of repayment, specifically through debt capitalization. As part of this proposal, the Company suggested issuing convertible bonds with an initial conversion price of HK\$0.28, which was determined with reference to the average closing price of the Shares in January and February 2025 (i.e. HK\$0.28). However, the Subscribers rejected this proposal, and no further discussion on the terms occurred at that time. Following the rejection of the convertible bonds proposal, the Subscribers, based on the Company's proactive communication about its potential for business development and the friendly nature of the negotiations, granted an informal extension on the repayment of the Indebtedness, with no fixed repayment date specified.

On 2 April 2025, the Company completed the share subscription of an aggregate of 107,160,000 Shares to certain individual investors who are independent of and not connected with the Company and its connected persons, raising the net proceeds of approximately HK\$23,575,000. On 18 March 2025, 26 March 2025, 1 April 2025 and 2 April 2025, the Company used the proceeds from the share subscription to repay debts at the amount of HK\$5,500,000, HK\$6,400,000, HK\$2,750,000 and HK\$6,600,000, respectively, totaling HK\$21,250,000 to Green Assets. After these repayments, the remaining outstanding debts owed by the Company amounted to HK\$30,434,088.52 to Green Securities and HK\$27,225,391.00 to Green Assets as at the date of the Settlement and Offset Agreements (i.e. the amount of the Indebtedness), taking into account the accrued interest.

On 16 May 2025, the Subscribers, alongside other creditors of the Company (the “**Other Creditors**”), issued a formal demand letter, warning that legal proceedings would be initiated if the outstanding debts were not resolved promptly. Mr. Zhong Guoxing and Mr. Di Ling, the executive Directors, continuously urged the creditors to grant an extension for repayment. The Subscribers acknowledged the Company's growing maturity in its business operations and revisited the Company's proposal to capitalize the Indebtedness by issuing convertible bonds. While this proposal had been rejected in February 2025, the Subscribers expressed openness to it, viewing it as a potential means to recover their Indebtedness by converting them into an equity investment in the Company. Between 16 May 2025 and 30 May 2025, the Company and the Subscribers continued negotiating the specific terms of the Subscription Agreements, leading to the signing of the Subscription Agreements.

The Other Creditors were Zhonglin Forestry Ecological Technology Co., Ltd.* (中林林业生态科技有限公司) (“**Zhonglin Forestry**”) and Lau Ting. As at the date of the demand letter (i.e. 16 May 2025) and as at the Latest Practicable Date, the outstanding amount owed by the Company were HK\$30,874,384.5 and HK\$30,874,384.5 to Zhonglin Forestry and HK\$2,918,032.7 and HK\$2,918,032.7 to Lau Ting. Both debts carried an interest rate of 8%. As at the Latest Practicable Date, the ultimate beneficial owner of Zhonglin Forestry was Mr. Wu Mingming. Ms. Lau Ting is the mother-in-law of Sha Tao, a substantial shareholder of the Company, and is hence a connected person of the Company. Lau Ting does not have any relationship with the Subscribers and their ultimate beneficial owner.

LETTER FROM THE BOARD

The Other Creditors have agreed to extend the repayment deadlines for their respective debts to on or before the end of 2026. The debts due to the Other Creditors were recorded under “interest-bearing bank and other borrowings” in the financial statements of the Group and were classified as non-current liabilities. To meet these obligations, the Company plans to expand its business operations and enhance cash flow. Specifically, the Group intends to leverage the license held by Henan Zailiang New Energy Renewable Limited* (河南再亮新能源再生有限公司) (“**Henan Zailiang**”) to collaborate with state-owned enterprises, establishing a robust B-ring supply chain for used batteries. Henan Zailiang is a non wholly-owned subsidiary of the Company. As of the Latest Practicable Date, Henan Zailiang has signed strategic cooperation agreements with China Tower Corporation Limited (中國鐵塔股份有限公司) and China Renewable Energy Development Group Co., Ltd.* (中國再生能源開發集團有限公司) to jointly advance the compliant resource recovery of end-of-life lithium batteries. The revenue model of Henan Zailiang is that Henan Zailiang would utilize its white-list qualifications to conduct compliant recycling of retired lithium batteries, performing tiered processing and regeneration. It will then resell the compliant batteries or raw materials to relevant lithium battery manufacturers. The resulting sales revenue and profit margins constitute Henan Zailiang’s sales income and profits. This initiative is expected to generate new revenue streams, improve profitability, and strengthen the Group’s overall financial health, with revenue anticipated to commence in 2026.

* *For identification purpose only*

On 30 May 2025 (after trading hours), the Company and the Subscribers entered into the Settlement and Offset Agreements respectively, pursuant to which the Subscribers agree to subscribe for the Convertible Bonds in consideration of the Indebtedness, and the Company agrees to issue the Convertible Bonds to the Subscribers to offset the Indebtedness, totaling HK\$57,659,479.52 owed by the Company to the Subscribers. Accordingly, on 30 May 2025 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, respectively.

As at the Latest Practicable Date, save for the Indebtedness and the debts owed to Zhonglin Forestry, the Company does not have any outstanding amount due to the Subscribers and their ultimate beneficial owner.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements are summarised below:

Date	30 May 2025
Parties	(i) the Company;
	(ii) Green Securities; and
	(iii) Green Assets

Subject matter

Pursuant to the Subscription Agreements, the Subscribers conditionally agree to subscribe, and the Company conditionally agrees to issue the Convertible Bonds in the following principal amount in consideration of the Indebtedness:

Subscribers	Principal amount of the Convertible Bonds to be subscribed (HK\$)	Maximum number of Conversion Shares to be issued and allotted
Green Securities	30,434,088.52	108,693,173
Green Assets	<u>27,225,391.00</u>	<u>97,233,539</u>
Total	<u>57,659,479.52</u>	<u>205,926,712</u>

LETTER FROM THE BOARD

Conditions precedent

Completion of the Subscription is conditional upon the satisfaction (or waiver, as the case may be) of the following conditions precedent:

- (i) the passing by the Independent Shareholders of the resolution(s) at the EGM in compliance with the requirements of the Listing Rules approving (a) the Subscription Agreements and the transactions contemplated thereunder; and (b) the issue of the Convertible Bonds and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares to the Subscribers in accordance with the terms of the Subscription Agreements;
- (ii) the Listing Committee having granted approval for the listing of, and permission to deal in, all of the Conversion Shares and such listing approval has not been withdrawn before the completion of the Subscription;
- (iii) the Company has received all necessary approvals and permissions for the Subscription Agreements and the transactions contemplated thereunder and not revoked before completion of the Subscription;
- (iv) the Subscribers have received all necessary approvals and permissions for the Subscription Agreements and the transactions contemplated thereunder and not revoked before completion of the Subscription;
- (v) all of the representations and warranties given by the Company and the Subscribers thereunder are true, accurate and complete in material respects; and
- (vi) the Company having no material adverse change in the operation.

Conditions numbered (i) to (iv) are not waivable. Conditions (v) and (vi) may be waived in writing by either party to the other (in the case of condition (v)) and by the Subscribers (in the case of condition (vi)) at any time. If the conditions precedent are not fulfilled (or waived, as the case may be) by 31 December 2025 (or such later date as the parties may agree in writing and the Stock Exchange may allow), the Subscription Agreements will terminate and cease to have any effect. None of the parties to the Subscription Agreements shall have any claim against or liability or obligation to the other party under the Subscription Agreements save for any rights or obligations which may accrue prior to the date of such termination.

The Subscription Agreement A and the Subscription Agreement B are not inter-conditional to each other. As at the Latest Practicable Date, conditions (iv) to (vi) were satisfied and conditions (i) to (iii) were outstanding.

LETTER FROM THE BOARD

Completion

The completion of the Subscription shall take place at or before 11:00 a.m. on the third business day (or such other date as agreed by the parties) after fulfilment of all the conditions precedent set out above, which is expected to be 29 December 2025.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal amount: HK\$30,434,088.52 under the Subscription Agreement A; HK\$27,225,391.00 under the Subscription Agreement B; and HK\$57,659,479.52 in aggregate

Maturity date: the date falling on the second anniversary of the Issuance Date

Issue Price: 100.00% of the principal amount of the Convertible Bonds

Interest: 5% per annum, payable annually or with respect to the last payment, on the maturity date

Conversion right: Subject to the restrictions below, each Bondholder has the right to convert the Convertible Bonds into the Conversion Shares at any time during the Conversion Period.

The Shares to be issued by the Company under the conversion shall not include fractional Shares. Fractional Shares will not be issued, and no cash adjustments will be made in this regard.

No Bondholder shall exercise any conversion rights and the Company shall not be required to issue any Conversion Share in the event that the exercise of such conversion rights by the Bondholders will cause: (1) more than 20% of the Shares being held by the Bondholders and/or persons acting in concert with them (as defined under the Takeovers Code); and/or (2) the public float of the Company being less than 25% of its issued share capital.

Conversion period: From the first business day after the Issuance Date up to and including the fifteenth business day prior to the maturity date.

LETTER FROM THE BOARD

Conversion Price:

HK\$0.28 per Conversion Share, which shall be subject to adjustments provided in the Bond Instruments. The Conversion Price of HK\$0.28 per Conversion Share represents:

- (i) a discount of approximately 83.53% over the closing price of HK\$1.70 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreements;
- (ii) a discount of approximately 80.14% over the average closing price of HK\$1.41 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements;
- (iii) a discount of approximately 83.23% over the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 868.42% over the net asset value of the Company of approximately HK\$0.02892 per Share based on the audited consolidated net asset value of the Company of approximately HK\$18,592,000 as at 30 June 2025 and the 642,960,000 Shares in issue as at the Latest Practicable Date.

The full conversion of the Conversion Shares will result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 20.29%, based on the theoretical diluted price of approximately HK\$1.355 per Share and the benchmarked price of approximately HK\$1.70 per Share (as defined under Rule 7.27B of the Listing Rules, taking in account the higher of the closing price on the date of the Subscription Agreements of HK\$1.70 and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Subscription Agreements of approximately HK\$1.41 per Share).

LETTER FROM THE BOARD

Adjustments to the Conversion
Price:

In the event of any consolidation or sub-division of the Shares, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

A/B

where:

A = the revised nominal value per Share; and

B = the former nominal value per Share.

Save for share consolidation and sub-division of the Shares, no other adjustment events or mechanisms will apply.

Conversion Shares:

Assuming the conversion rights are exercised in full at the initial Conversion Price of HK\$0.28 per Share, a maximum of 205,926,712 Conversion Shares will be allotted and issued, which represents:

- (i) approximately 32.03% of the existing total number of Shares in issue as at the Latest Practicable Date; and
- (ii) approximately 24.26% of the total number of Shares in issue as enlarged by the allotment and issuance of the Conversion Shares upon the full conversion of the Convertible Bonds at the initial Conversion Price without adjustment (assuming there is no other change in the total number of Shares from the Latest Practicable Date up to the full conversion of the Convertible Bonds).

The maximum aggregate nominal value of the Conversion Shares (upon exercise in full of the conversion rights) will be HK\$2,059,267.12 based on the nominal value of HK\$0.01 per Share. As at the Latest Practicable Date, the Company does not have any treasury shares and does not intend to transfer treasury shares upon exercise of the conversion rights.

The Conversion Shares shall be allotted and issued under the Specific Mandate to be sought at the EGM.

LETTER FROM THE BOARD

Redemption on the maturity date: On the maturity date, any outstanding amount under the Convertible Bonds will be automatically redeemed by the Company in full at the principal amount plus any accrued but unpaid interest.

Event of default: If any of the event of default specified below occurs, Bondholders shall be entitled to issue a written notice to the Company that the principal amount of the outstanding Convertible Bonds shall become due and payable on the seventh business day after the issue of the written notice:

- (a) the Company breaches any undertaking, condition, or provision in the Subscription Agreements or Bond Instruments, and such breach continues for fourteen business days after the Bondholders provide written notice to the Company summarizing the breach and demanding its cure;
- (b) any existing or future other indebtedness of the Company in respect of borrowed or raised funds becomes due and payable prior to its designated maturity date as a result of an event of default, or any such indebtedness remains unpaid after its due date or (as the case may be) within any applicable grace period provided, or the Company fails to pay any amount due and payable under any existing or future guarantee provided in respect of any borrowed or raised funds, provided that the relevant debt or the aggregate amount payable in connection with each event described in this paragraph equals or exceeds HK\$1,000,000 (or the equivalent amount in another currency);
- (c) a resolution is passed or an order is made by a court of competent jurisdiction requiring the Company to cease business or be dissolved;
- (d) the Company's entire or substantially all assets or business are taken over by a lienholder or designated receiver;

LETTER FROM THE BOARD

- (e) a substantial portion of the Company's assets is subjected to seizure, enforcement, or pre-judgment attachment, compulsory execution, or freezing measures, and such measures are not lifted within three days;
- (f) the Company is unable to repay its debts as they fall due, or the Company initiates or consents to legal proceedings under any applicable bankruptcy, restructuring, or insolvency laws, or makes an assignment or reaches any settlement for the benefit of its creditors;
- (g) legal proceedings are initiated against the Company under any applicable bankruptcy, restructuring, or insolvency laws, and such proceedings are not dismissed or terminated within forty-five days; or
- (h) the Shares are suspended from trading on the Main Board of the Stock Exchange for more than ten trading days, or the Shares are delisted.

Status and listing:

The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking equally among themselves and (save as required by law) *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

No application is intended to be made for the listing of the Convertible Bonds on any stock exchange.

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

Voting:

The Bondholders shall not be entitled to attend or vote at any meetings of the Company by virtue of their state as Bondholders.

Transferability:

Subject to compliance with the Listing Rules, the Bondholders may transfer or assign in whole or in part of the Convertible Bonds to any party (except for the connected persons of the Company).

LETTER FROM THE BOARD

INFORMATION ON THE SUBSCRIBERS

Green Securities and Green Assets are companies incorporated in Hong Kong with limited liability. Green Securities is principally engaged in securities and property investment, whereas Green Assets is an investment-holding vehicle. Both companies are ultimately wholly-owned by Mr. Wu Mingming (吳明明), a merchant. Mr. Wu Mingming has a long-standing relationship with Mr. Hai Shixun, a substantial shareholder of the Company. Through this connection, the Company became acquainted with Mr. Wu Mingming and the companies under his control, including the Subscribers. Save as disclosed below in the paragraph headed “Listing Rules Implications”, the Subscribers and Mr. Wu Mingming do not have any family, business or shareholding relationship with the Group and its connected persons.

FINANCIAL EFFECTS OF THE ISSUE OF THE CONVERTIBLE BONDS

For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreements, upon full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 205,926,712 new Shares, representing approximately 32.03% of the total number of issued Shares as at the Latest Practicable Date and approximately 24.26% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares.

Given the aggregate principal amount of the Convertible Bonds is equal to the Indebtedness settled pursuant to the Settlement and Offset Agreements, being HK\$57,659,479.52, it is expected that the Group will not receive any proceeds from the issue of the Convertible Bonds.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS

The Group is principally engaged in (i) global carbon neutral business, focusing on trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and planning; and utilising a blockchain-based dual-carbon digital control platform to connect and mobilise the entire dual carbon chain resource to support the sustainable development of the dual-carbon economy; (ii) a green development platform based on “Green Finance Open Platform” to provide ESG related services; and (iii) civil engineering works, building construction and maintenance works.

Pursuant to the terms of the Subscription Agreements, the Convertible Bonds will be settled over the period of two years. This arrangement aims to alleviate immediate repayment pressure and effectively address the Company’s concern on immediate cashflow by spreading out the repayment of the Indebtedness over a longer term. Furthermore, the Settlement and Offset Agreements endeavour to enhance the Company’s financial standing by converting the current liabilities into non-current liabilities, thereby allowing for greater flexibility in the allocation of financial resources towards business development. The Subscription offers an immediate resolution to the Company’s Indebtedness by directly offsetting liabilities without requiring cash outflows.

LETTER FROM THE BOARD

As mentioned above, the issue of the Convertible Bonds is for settlement of the Indebtedness on a dollar-for-dollar basis. There will not be any proceeds from the issue of the Convertible Bonds. The Company engaged in discussions with the Subscribers regarding the possibility of applying a discount to the Indebtedness for issuing of the Convertible Bonds. However, the Subscribers were unwilling to agree to such a discount, as they considered the Loan Arrangements to be a commercial transaction conducted at their own risk and expense. The Subscribers emphasized that the settlement of the Indebtedness with the Convertible Bonds should be based on the full face value of the Indebtedness.

The Conversion Price of HK\$0.28 was determined based on the Company's average closing price during January and February 2025, which reflected a fair and reasonable valuation at the time negotiations in relation to the Convertible Bonds commenced. Although it represents a deep discount from the prevailing Share price, it is important to note that the terms of the Subscription were finalized based on negotiations that began in February 2025, long before the Share price increase in May 2025. While the Subscribers initially rejected the proposal in February 2025, revisiting or renegotiating the Conversion Price after the share price surge could have jeopardized the transaction, which was critical for the Company to address its current financial challenges. Therefore, the unchanged Conversion Price intends to maintain stability and ensure the Subscribers' continued commitment to the deal. The Subscribers required certainty that the agreed Conversion Price would not be altered, as it served as a necessary incentive to compensate for the risk regarding the Company's ability to recover its financial position.

The initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers. While the Conversion Price was determined without taking into account the share prices and market conditions in May 2025, the ability to secure the Subscribers' agreement to this arrangement is a critical step in addressing the Company's immediate financial obligations without immediate cashflow requirements.

In addition, while the Conversion Price involves a discount and potential dilution to existing Shareholders, the Directors believe this was a necessary trade-off to mitigate the immediate risks posed by the outstanding Indebtedness. Had the Company failed to address the Indebtedness, it could have faced legal proceedings, reputational damage, and operational disruptions. By opting for the capitalization method, these risks are effectively avoided. While there may be short-term dilution for existing Shareholders, the long-term benefits of improving liquidity and stabilizing the Company's financial position outweigh the potential drawbacks. In the long run, these measures enhance the Company's financial stability and create a stronger foundation for sustainable growth, which ultimately benefits all Shareholders.

LETTER FROM THE BOARD

Therefore, the Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Directors have acted in the best interests of the Company and minority Shareholders as a whole.

The Company faced significant difficulties in securing external financing due to its financial condition and lack of sufficient collateral. As at 30 June 2025, as disclosed in the annual results announcement of the Company for the year ended 30 June 2025, the Group reported a consolidated net asset value of approximately HK\$18,592,000. However, for the year ended 30 June 2025, the Group incurred a net loss of approximately HK\$10,282,000. As at 30 June 2025, the Group's current liabilities amounted to approximately HK\$378,708,000, including interest-bearing liabilities of about HK\$162,031,000 that had become default due to the Group's failure to meet their scheduled repayment dates. These liabilities consisted of interest-bearing bank and other borrowings, convertible bonds, and related accrued interests. Additionally, subsequent to 30 September 2025, the Group had not yet obtained extension letters for certain other interest-bearing borrowings totaling approximately HK\$65,070,000. As at 30 June 2025, the Group struggled to meet its liquidity needs, and its financial metrics, such as the gearing ratio (i.e. 619%), remained significantly out of line with the standard requirements of conventional lenders (i.e. not higher than 70%, with stricter institutions demanding it not exceed 50%). These requirements often include a stable credit profile and sufficient collateral, such as property, plant, or equipment, which the Group lacked. The absence of significant fixed assets as acceptable forms of security further constrained its ability to secure external financing.

Despite these challenges, the Company explored various financing solutions. Between late 2023 and 2024, the Company's management sought working-capital facilities from several major Hong Kong commercial banks, but the credit teams declined the applications due to the Group's small market capitalisation, low net asset value and lack of fixed assets to provide as collateral. A proposal to pledge the Group's carbon-credit inventory was also rejected because of concerns over the liquidity and valuation of such assets. The management then considered issuing trust products backed by the carbon assets in partnership with a local carbon-trading platform, but the offering attracted no demand given the limited market recognition of carbon assets in Hong Kong.

Given the rejection of prior financing applications and the absence of material subsequent improvements in the Company's financial condition, evidenced by continued losses and an inability to meet standard bank lending criteria, the Company determined that further discussions with banks in 2025 would be futile. As a result, no additional efforts were made in 2025 to pursue debt financing from conventional lending institutions. Although the Company turned around from the net current liability and net liability position as at 30 June 2024 to the net current asset and net asset position as at 30 June 2025, and the Company's net loss decreased from HK\$137.3 million for the period ended 30 June 2024 to HK\$10.3 million for the year ended 30 June 2025, this reduction in net loss was primarily due to specific one-off or non-recurring factors, including a decrease in interest expenses on promissory notes and convertible bonds by approximately HK\$23.7 million and HK\$25.9 million respectively, an increase in the fair value of carbon credit assets by approximately HK\$49.3 million, a reduction in research and development expenses by approximately HK\$12.0 million, a decrease in

LETTER FROM THE BOARD

goodwill impairment by approximately HK\$4.3 million, and a reduction in asset impairment by approximately HK\$7.3 million. Given that these factors are largely non-recurring, there has been no material subsequent improvement in the Company's underlying financial condition. The decision not to pursue further bank financing was based on the Directors' assessment that the Company's financial metrics and credit profile were highly unlikely to meet the requirements of potential lenders. The Directors believe that this approach was in the best interests of the Company and its minority Shareholders, as it allowed management to focus on exploring alternative financing solutions that had a higher likelihood of success.

In addition, the Company's imminency for addressing its liquidity needs was dictated by the Subscribers' demand for repayment of the overdue Indebtedness. Although the Subscribers granted an informal extension on the repayment and no fixed repayment date was specified, they verbally reiterated their expectation that the Company provide a repayment plan as soon as possible and indicated their intention to continue urging for repayment. This uncertainty surrounding the timing of repayment created significant pressure on the Company to secure liquidity promptly. The urgency further escalated when the Subscribers issued a formal demand letter on 16 May 2025, highlighting the imminent need for the Company to resolve its overdue obligations.

The Company explored equity financing options in response to its liquidity challenges and overdue Indebtedness. However, equity financing proved to be an inefficient solution for meeting the funding requirements within a short timeframe. Specifically, the placing of new Shares may result in significant dilution to existing Shareholders and may face limited investor appetite under the current market conditions. While the Company successfully completed the share subscription of an aggregate of 107,160,000 Shares on 2 April 2025 to certain individual investors, the proceeds of the said share subscription, while helpful, were insufficient to fully resolve the Company's financial challenges, including the overdue Indebtedness. A rights issue, while theoretically possible, would require substantial lead time, involve higher administrative costs, and carry no guarantee of full subscription, thereby introducing additional uncertainties. The Company approached three financial brokers/asset management companies in February 2025 to discuss the possibility of raising funds through rights issue. However, due to the Company's poor financial condition, including its net asset position, ongoing losses, and low Share price, no broker was willing to provide a fully underwritten arrangement. Although the Company's Share price improved in May 2025, the Subscribers issued a demand letter threatening legal proceedings, leaving the Company with insufficient time to negotiate and arrange a rights issue with brokers. As a result, the Company had no choice but to proceed with the issuance of the Convertible Bonds to address the urgent circumstances.

After comprehensively considering the current market financing environment, the actual situation of the Company and the uncertainties lie within other fundraising channels, the Board considers raising funds by way of the issuance of the Convertible Bonds is a relatively more feasible way and with more certainty, while also being the more cost-effective and efficient method of settling the Indebtedness at this moment.

LETTER FROM THE BOARD

As of 30 June 2025, the Group had cash and cash equivalents of HK\$102.1 million. The reasons for not using the cash to settle the Indebtedness are that the cash and cash equivalents have been earmarked for the operation and development of the Group's existing and new construction projects which include (i) approximately 25.46% shall be utilized for the provision of insurances as well as performance bonds from commercial banks as guarantees for conducting 5 new civil and building work projects (covering both public and private sectors) consisting of civil works, cable circuit improvement and trenching and/or cable laying and contractual works; (ii) approximately 17.14% shall be utilized for executing the joint venture projects for civil engineering works on stormwater storage and improvement works and associated works for highway; and (iii) approximately 57.40% shall be utilized for maintaining cash or cash equivalent requirement to meet the relevant governmental mandate for contractors' license purposes as well as having sufficient cash resources for setting up projects newly secured and the bidding of potential tenders for new projects.

In view of the above, the Directors (in respect of Mr. Di Ling, he has expressed his views although he has abstained from voting) consider that the terms of the Subscription Agreements and the Convertible Bonds are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of the Convertible Bonds (assuming that there is no other change in the existing shareholding of the Company):

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Convertible Bonds ⁽¹⁾	
	<i>Number of Shares</i>	<i>Approximate percentage of the total issued Shares (%)</i>	<i>Number of Shares</i>	<i>Approximate percentage of the total issued Shares (%)</i>
Substantial shareholders				
Green Securities ⁽²⁾	–	–	108,693,173	12.80
Green Assets ⁽²⁾	–	–	97,233,539	11.45
Quick Tycoon Limited ⁽³⁾	89,470,000	13.92	89,470,000	10.54
China Eco Fund Investment Limited ⁽³⁾	40,000,000	6.22	40,000,000	4.71
Legit Aiming Limited ⁽⁴⁾	70,000,000	10.89	70,000,000	0

LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Convertible Bonds ⁽¹⁾	
	<i>Approximate percentage of the total issued</i>		<i>Approximate percentage of the total issued</i>	
	<i>Number of Shares</i>	<i>Shares (%)</i>	<i>Number of Shares</i>	<i>Shares (%)</i>
Directors				
Mr. Geng Zhiyuan ⁽⁵⁾	22,000,000	3.42	22,000,000	2.59
Mr. Chen Yonglan ⁽⁶⁾	10,000,000	1.56	10,000,000	1.18
Public shareholders				
Other public Shareholders	411,490,000	64.00	411,490,000	48.47
Total	642,960,000	100.0	848,886,712	100.0

Notes:

- (1) Assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of the conversion of the Convertible Bonds save for the allotment and issue of the Conversion Shares. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
- (2) If the Conversion Shares are fully converted at the initial Conversion Price, Green Securities, Green Assets and Wu Mingming will be the substantial shareholders of the Company.
- (3) Both Quick Tycoon Limited and China Eco Fund Investment Limited are wholly-owned by China Eco Investment, which is wholly-owned by Mr. Sha Tao.
- (4) Legit Aiming Limited is owned as to 51% and 49% by Mr. Hai Shixun and Mr. Gao Rihui, respectively.
- (5) Mr. Geng Zhiyuan is a non-executive Director.
- (6) Mr. Chen Yonglan is a non-executive Director.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As disclosed in the section headed “Background”, the Original Creditors included China Eco Investment and Mr. Sha Tao (each a substantial shareholder of the Company), Mr. Hai Shixun (a substantial shareholder of the Company), Mr. Di Ling (an executive Director), along with other third parties independent of the Company and its connected persons.

The proposed issuance of the Convertible Bonds at a discount to the Subscribers is intended to offset the Indebtedness, part of which was acquired by the Subscribers from the Original Creditors (including, but not limited to, the Company’s connected persons). As a result, when considering the Loan Arrangement and the issuance of the Convertible Bonds as a whole, the Subscribers are deemed connected persons under Chapter 14A of the Listing Rules. The Original Creditors and their respective associates (including Quick Tycoon Limited and China Eco Fund Investment Limited, each a company wholly-owned by China Eco Investment, and Legit Aiming Limited, a company owned as to 51% by Mr. Hai Shixun) will abstain from voting for the relevant resolutions approving the Subscription Agreements and the transactions contemplated thereunder (including the Specific Mandate) at the EGM.

Therefore, the proposed issue of the Convertible Bonds to the Subscribers constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular, independent financial advice and independent shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares, and the grant of the Specific Mandate. Veda Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held at Room B, 33rd Floor, Nuode Financial Centre, Fuzhong 3rd Road, Futian District, Shenzhen, Guangdong Province, PRC on Monday, 29 December 2025 at 10:30 a.m. to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including the Specific Mandate). A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at 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 as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to the Listing Rules, the Original Creditors and their respective associates (including Quick Tycoon Limited (holding 89,470,000 Shares, representing approximately 13.92% of the issued share capital of the Company as at the Latest Practicable Date) and China Eco Fund Investment Limited (holding 40,000,000 Shares, representing approximately 6.22% of the issued share capital of the Company as at the Latest Practicable Date), each a company wholly-owned by China Eco Investment, and Legit Aiming Limited (holding 70,000,000 Shares, representing approximately 10.89% of the issued share capital of the Company as at the Latest Practicable Date), a company owned as to 51% by Mr. Hai Shixun) shall abstain from voting on the resolutions to be proposed at the EGM. As at the Latest Practicable Date, to the best knowledge of the Directors, other than the abovementioned Shareholders, no other Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 22 December 2025 to Monday, 29 December 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with 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 for registration not later than 4:30 p.m. on Sunday, 21 December 2025.

RECOMMENDATION

The Independent Board Committee, having considered the advice from the IFA, considers that (i) the terms of the Subscription Agreements are fair and reasonable; (ii) the terms of the Subscription Agreements are on normal commercial terms; and (iii) the Subscription Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreements to be proposed at the EGM.

LETTER FROM THE BOARD

The Directors, excluding Mr. Di Ling who had abstained from voting at the Board meeting due to conflict of interest, consider the terms of the Subscription Agreements are fair and reasonable in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding Mr. Di Ling) recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate) to be proposed at the EGM.

The recommendation of the Independent Board Committee is set out on pages 26 to 27 in this circular and the letter from IFA is set out on pages 28 to 59 in this circular.

VOTE BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and the articles of association of the Company, all the votes at the EGM must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

ADDITIONAL INFORMATION

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

By order of the Board
China Carbon Neutral Development Group Limited
Chen Yonglan
Chairman and Non-executive Director



中國碳中和發展集團有限公司

China Carbon Neutral Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1372)

5 December 2025

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 5 December 2025 (the “**Circular**”), of which this letter forms part. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Independent Board Committee has been formed to consider and advise you in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), details of which are set out in the “Letter from the Board” contained in the Circular. Veda Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from IFA containing its recommendations and the principal factors and reasons in which the IFA has taken into consideration in arriving at its recommendations is set out on pages 28 to 59 of the Circular.

Having considered the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), and after taking into account the principal factors and reasons and the advice of IFA as set out in the “Letter from IFA”, contained in the Circular, we consider that the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), though not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully

For and on behalf of the
Independent Board Committee

China Carbon Neutral Development Group Limited

Mr. Wang Jiasi

*Independent
non-executive Director*

Mr. Cao Ming

*Independent
non-executive Director*

Ms. Qiao Yanlin

*Independent
non-executive Director*



5 December 2025

To the Independent Board Committee and the Independent Shareholders of China Carbon Neutral Development Group Limited

Dear Sirs or Madams,

**CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 5 December 2025 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 30 May 2025 (after trading hours), the Company and the Subscribers entered into the Subscription Agreements, pursuant to which the Subscribers conditionally agree to subscribe, and the Company conditionally agrees to issue the Convertible Bonds to the Subscribers in the principal amount of HK\$57,659,479.52, to offset the Indebtedness. The Convertible Bonds carry conversion rights to convert into the Conversion Shares at the Conversion Price of HK\$0.28 (subject to adjustments).

As set out in the section headed “Background” of the Board Letter, the Subscribers had acquired debts from the Original Creditors during 2 January 2025 and 30 April 2025 and the proposed issuance of the Convertible Bonds is intended to offset the Indebtedness, part of which was acquired by the Subscribers from the Original Creditors (including, but not limited to, the Company’s connected persons). As a result, when considering the Loan Arrangement and the issuance of the Convertible Bonds as a whole, the Subscribers are deemed connected persons under Chapter 14A of the Listing Rules. The proposed issue of the Convertible Bonds to the Subscribers constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cao Ming, Mr. Wang Jiasi and Ms. Qiao Yanlin, has been established to advise the Independent Shareholders in relation to the Subscription Agreements and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares, and the grant of the Specific Mandate. We, Veda Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser, there were no other engagements between us and the Group in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Circular, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omissions of other facts that would make any statements in the Circular misleading. As the Independent Financial Adviser, we take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. In rendering our opinion in the Circular, we have also researched, analysed and relied on (i) the Circular and information provided by the Company; (ii) information of the Group, including but not limited to, the published financial reports of the Company for the period from 1 January 2023 to 30 June 2024 and for the six months ended 31 December 2024; and (iii) market information obtained from the website of the Stock Exchange.

In light of the above, we consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and 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.

1. Background and financial information of the Group

The Group is principally engaged in (i) global carbon neutral business, focusing on trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and planning; and utilising a blockchain-based dual-carbon digital control platform to connect and mobilise the entire dual carbon chain resource to support the sustainable development of the dual-carbon economy; (ii) a green development platform based on “Green Finance Open Platform” to provide ESG related services; and (iii) civil engineering works, building construction and maintenance works.

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Financial information of the Group

Set out below is a summary of the consolidated financial information of the Group (i) for the year ended 31 December 2022; (ii) for the period from 1 January 2023 to 30 June 2024; and (iii) for the year ended 30 June 2025, as extracted from the published financial reports of the Company.

	For the year ended 31 December 2022 HK\$'000	Period from 1 January 2023 to 30 June 2024 HK\$'000	For the year ended 30 June 2025 HK\$'000
Revenue	709,306	959,084	579,400
– Global carbon neutral	209,178	4,141	4,654
– Civil engineering and construction	500,128	657,426	556,834
– Green credit digital technology	–	297,517	5,703
– Battery Cascading Utilization business	–	–	12,209
	<u> </u>	<u> </u>	<u> </u>
Operating loss	(129,667)	(131,180)	(405)
	<u> </u>	<u> </u>	<u> </u>
Loss attributable to the owners of the Company	<u>(197,471)</u>	<u>(132,840)</u>	<u>(7,450)</u>

Financial performances of the Group

The Group's revenues for the year ended 30 June 2025 and during the period from 1 January 2023 to 30 June 2024 were approximately HK\$579.40 million and approximately HK\$959.08 million respectively. The Group reduced its operation loss for the year ended 30 June 2025 by approximately HK\$130.8 million as compared to that of the period from 1 January 2023 to 30 June 2024. As advised by the Company, the decrease in loss was primarily due to the combination results of (i) a small addition of revenue generated from its new battery cascading utilization business; (ii) an increase in the fair value of carbon-credit assets; and (iii) lower finance, administrative and research and development costs during the year ended 30 June 2025 which included, among other things, tighten control on operation costs, decrease in the interest on the imputed interest on convertible bonds as the convertible bonds did not incur more interests since expired on 4 February 2025.

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The Group's revenue in the global carbon neutral segment dropped from approximately HK\$209.18 million for the year ended 31 December 2022 to approximately HK\$4.14 million for the period from 1 January 2023 to 30 June 2024. As advised by the Company, the decrease in revenue in the global carbon neutral segment was primarily due to a decrease in sales of its carbon credit assets. The Group's revenue in the green credit digital technology segment dropped from approximately HK\$297.52 million for the period from 1 January 2023 to 30 June 2024 to approximately HK\$5.70 million for the year ended 30 June 2025 as the Company reduced its resources and involvement in this business segment during the relevant period.

As illustrated in the table above, the Group's historical revenues were consistently and mostly generated from its civil engineering and construction segment, by conducting civil engineering works and building construction and maintenance works. This segment contributed approximately 68.55% of the revenue during the period 1 January 2023 to 30 June 2024 and approximately 96.11% of the revenue for the year ended 30 June 2025.

As advised by the Company, the Group was able to maintain its competitive advantages and manage a stable performance in the civil engineering and construction business as it has been able to provide high-quality services of a wide scope and maintain a cordial client relationship that help it to secure new contracts. We noted from the Company's annual report for the year ended 30 June 2025, the Group has been awarded with several new substantial contracts recently, including but not limited to, Advance Civil Engineering Works for Public Housing Development Projects Batch 13 (2023–2025) and Civil Engineering Improvement Works at Wu King Estate and Shui Pin Wai Estate and as of 30 June 2025, the Group had 11 significant building construction and maintenance and civil engineering constructions projects in progress.

Notwithstanding the above, the Group has also been participating in new business opportunities and additional revenues were generated from the green credit digital technology segment during the period from 1 January 2023 to 30 June 2024 as well as in the battery cascading utilization business for the year ended 30 June 2025. Particularly, the Company has made a few announcements since May 2025, such as forming strategic cooperations and launching carbon-neutral related platform, to capitalize on emerging possibilities and to stay attuned to market changes that may improve and turnaround the Company's financial performances.

The Group is expected to continue to focus on developing its business, in particular in maintaining its competitive advantages in the civil engineering and construction segment while also leveraging on its carbon-neutral digital technology and platform and battery cascading utilization to enhance its cashflow to, among other matters, generate sufficient cash flows for operations and meet its obligations as and when they fall due.

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Financial positions of the Group

Set out below is a summary of the consolidated statement of financial position of the Group as at 30 June 2024 and as at 30 June 2025, as extracted from the published annual report of the Company for the year ended 30 June 2025.

	As at 30 June 2024 HK\$'000	As at 30 June 2025 HK\$'000
Current assets	296,745	397,589
– Carbon-credit assets	15,620	100,163
– Inventories	2,618	2,717
– Contract assets	70,471	70,228
– Accounts receivables	20,635	38,889
– Prepayments, deposits and other receivables	47,963	64,938
– Restricted bank deposits	1,313	18,546
– Cash and cash equivalents	138,125	102,108
Non-current assets	67,511	62,055
Total Assets	364,256	459,644
Current liabilities	331,308	378,708
– Accounts payable	54,683	55,767
– Tax payable	90	–
– Other payables and accruals	130,135	147,448
– Interest-bearing bank and other borrowings	62,659	76,270
– Lease liabilities	6,046	6,223
– Convertible bonds	77,695	93,000
Non-current liabilities	34,346	62,344
Total Liabilities	365,654	441,052
Net current assets/(liabilities)	(34,563)	18,881
Net assets/(liabilities)	(1,398)	18,592

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As illustrated in the table above, the total assets of the Group as of 30 June 2025 amounted to approximately HK\$459.64 million, comprising current assets of approximately HK\$397.59 million and non-current assets of approximately HK\$62.06 million. The total assets of the Group of approximately HK\$459.64 million as at 30 June 2025 represented an increase of approximately 26.2% as compared to its total assets of approximately HK\$364.26 million as at 30 June 2024. The increase in the total assets of the Group was mainly driven by the increased in fair value of its carbon-credit assets and the Group's liquidity did not improve as its cash and cash equivalents as at 30 June 2025 dropped to HK\$102.11 million, which represented a decrease of approximately 26.08% as compared to that as at 30 June 2024.

The total liabilities of the Group as of 30 June 2025 amounted to approximately HK\$441.05 million, comprising current liabilities of approximately HK\$378.71 million and non-current liabilities of approximately HK\$62.34 million. The total liabilities of the Group of approximately HK\$441.05 million as at 30 June 2025 represented an increase of approximately 20.62% as compared to its total liabilities of approximately HK\$365.65 million as at 30 June 2024 which was primarily due to the increases in the liability component of the convertible bonds by approximately HK\$15.31 million which was solely attributable to the recognition of imputed interest as a finance cost during the year, and other payables and accruals under current liabilities by the amount of approximately HK\$17.31 million.

Due to the increase in the current assets relative to current liabilities, the Group shifted from net current liabilities of approximately HK\$34.56 million as of 30 June 2024 to net current assets of approximately HK\$18.89 million as of 30 June 2025. Correspondingly, the Group's financial position improved from net liabilities of approximately HK\$1.40 million as of 30 June 2024 to net assets of approximately HK\$18.59 million as of 30 June 2025 as a result of the increase in fair values of its carbon-credit assets. The Group's new financial position has improved but we consider that such modest net asset position also indicated its marginal ability to cover its obligations, in particularly that its cash and cash equivalents of approximately HK\$102.11 million as at 30 June 2025 covered only approximately 26.96% of its current liabilities, signaling potential liquidity risks.

As mentioned in the annual report of the Company, the independent auditor of the Company issued a disclaimer of opinion due to significant uncertainties about the Group's ability to continue as a going concern, including but not limited to the followings,

- the Group incurred a net loss of HK\$10,282,000 for the year ended 30 June 2025;
- as at 30 June 2025, the Group's current liabilities (including those that had become default or contain early demand clauses) amounted to HK\$378,708,000;
- as at 30 June 2025, the Group did not repay certain interest-bearing liabilities (including interest-bearing bank and other borrowings, convertible bonds and related accrual interests) of about HK\$162,031,000 according to their scheduled repayment dates. As a result, the above interest-bearing liabilities had become default; and

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- subsequent to 30 September 2025, the Group had not yet obtained extension letters for certain interest-bearing other borrowings of HK\$65,070,000.

It is considered that there are significant uncertainties exist as to whether the Directors will be able to achieve its plans and measures to enable it to meet its liabilities as and when they fall due and to continue as a going concern, and these plans and measures will depend upon the Group's ability to generate adequate financing and operating cash flows in its near future.

In light of the above, we consider that it is reasonable, and that there is an imminent need, for the Group to consider, for instance, appropriate and responsive fundraising solutions and/or restructure its borrowings, in order to continue to improve its financial positions and/or to avoid any setbacks in capturing potential opportunities and developing its business operations.

2. Information of the Subscriber

Green Securities and Green Assets are companies incorporated in Hong Kong with limited liability. Green Securities is principally engaged in securities and property investment, whereas Green Assets is an investment-holding vehicle. Both companies are ultimately wholly-owned by Wu Mingming.

3. Reasons for and benefits of the issue of the Convertible Bonds

As set out in the Board Letter, the issue of the Convertible Bonds is to fully replace the Indebtedness on a dollar-for-dollar basis. There will not be any proceeds from the issue of the Convertible Bonds. Upon completion of the Subscription, the obligations and the Indebtedness shall be replaced by the Convertible Bonds and are expected to be settled over the period of two years. This arrangement aims to (i) alleviate repayment pressure and effectively addresses the Company's concern on cashflow by spreading out the repayment of the Indebtedness over a longer term; and (ii) enhance the Company's financial standing by converting the current liabilities into non-current liabilities, thereby allowing for greater flexibility in the allocation of financial resources towards business development and allows the Company to focus on driving operational recovery and growth.

The Board is of the view that the Subscription offers a resolution to the Company's Indebtedness by directly offsetting liabilities without requiring immediate cash outflows that can enhance the Company's balance sheet, improve financial stability and allow management to focus on driving operational recovery and growth.

As discussed in the section above headed "Financial information of the Group", the Group (i) has recorded losses attributable to the owners of the Company of approximately HK\$7.45 million for the year ended 30 June 2025 and approximately HK\$132.84 million during the period from 1 January 2023 to 30 June 2024; (ii) just transitioned from net current liabilities and net liabilities position to net current assets and net assets position as of 30 June 2025; and (iii) has cash and cash equivalents amounted to be HK\$102.11 million as at 30 June 2025. Based on our discussions with the Company, despite the improvement in the Group's financial position, its

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ongoing losses combining with its modest net asset base and financial performances may continue to have posed challenges in securing available fundraising options to the Company (to be further discussed in the section below), and that the existing financial resources of the Group are earmarked for ongoing and new business developments and/or projects of the Group. The Group was recently awarded with a few new contracts that required it to procure civil engineering related works, and these projects had been commenced in July 2025. As advised by the Company, the early stages of the engineering works would generally require the Company to allocate more capital resources to cover the expenses for, including but not limited to, ordering of machineries, materials, site accommodation, insurances, designs and deposits, as well as maintaining sufficient capital requirement to ensure meeting the mandatory requirement imposed by governmental authority in performing such engineering works. The resources devoted by the Group into these projects, as well as the corresponding financial returns, may require time and are expected to be recovered through regular payments before such projects are completed.

Moreover, it is also critical for the Group's civil engineering business to reserve more cashflow as it empowers the Company the power to bid on more tenders or higher-value tenders. Having sufficient cashflow allows the Company to demonstrate its working capacity, execute multiple tasks simultaneously and maintain its quality services and competitive advantages. The Group intends to capitalize on more tendering opportunities and submit more tenders that are currently scheduled to kick-off during the fourth-quarter of 2025 with a combined value of around HK\$2.0 billion. These projects, upon successfully awarded to the Group, are expected to increase the revenue of the Group upon their completions and thus bringing more returns to the Shareholders. Should the Subscribers do not agree to the issuance of the Convertible Bonds in settling the Indebtedness, and requiring the Company to repay the Indebtedness immediately, the Company will inevitably fall into the position exposed to tight financial challenges, and its business development and operations are expected to be materially affected.

Having considered (i) the Subscribers have demanded for the repayment of the Indebtedness and are willing to accept the Company's repayment proposal in entering into the Subscription Agreements; (ii) as compared to settling the Indebtedness with financial resources, the entering into of the Subscription Agreements, will allow the Company to retain its cash, relieve its existing financial stress and provide flexibility to its operations to execute more available opportunities; and (iii) the Company's civil engineering is one of its principal businesses and such business generally require more upfront capitals in nature and often have longer payback periods, we are of the view that the entering into of the Subscription Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Please also refer to our analysis on the terms of the Subscription Agreements, including but not limited to, the Conversion Price and the trading volumes of the Shares which will be discussed in the section headed "4. Principal terms of the Subscription Agreements and the Convertible Bonds" below.

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Alternative fundraising and repayment methods considered

As explained in the Board Letter, the Company faced significant difficulties in securing external financing due to its financial condition and lack of sufficient collateral. On 16 May 2025, the Subscribers, along other creditors of the Company issued a formal demand letter, warning that legal proceedings would be initiated if the outstanding debts were not resolved promptly. We were given to understand that the Management, among others, had attempted to fundraise with the following alternative means,

- sought working-capital facilities from several major Hong Kong commercial banks, but the applications were declined due to the Group’s small market capitalisation, low net asset value and lack of fixed assets to provide as collateral;
- proposed to pledge the Group’s carbon-credit inventory, but was also rejected because of concerns over the liquidity and valuation of such assets; and
- proposed to issue trust products backed by the carbon assets in partnership with a local carbon-trading platform; however, the offering attracted no demand given the limited market recognition of carbon assets in Hong Kong.

As mentioned in the section headed “1. Background and financial information of the Group” in this letter, the Group continued to incur a net loss of approximately HK\$10.28 million for the year ended 30 June 2025 and its current liabilities amounted to approximately HK\$378.71 million as at 30 June 2025, including interest-bearing liabilities of about HK\$162.03 million that had become default due to the Group’s failure to meet its scheduled repayment dates (please also referred to the table under the sub-section headed “*The current liabilities of the Group*” on pages 50 to 51 in this letter). These liabilities consisted of interest-bearing bank and other borrowings, convertible bonds, and related accrued interests. As at 30 June 2025, the Group struggled to meet its liquidity needs, and its financial metrics, such as the gearing ratio (i.e. 619%), remained significantly out of line with the standard requirements of conventional lenders (i.e. not higher than 70%, with stricter institutions demanding it not exceed 50%). These requirements often include a stable credit profile and sufficient collateral, such as property, plant, or equipment, which the Group lacked. The absence of significant fixed assets as acceptable forms of security further constrained its ability to secure external financing.

On the basis that (i) the Company had been rejected on prior financing applications and its financial metrics and credit profile were highly unlikely to meet the above-mentioned requirements of potential lenders, we concur with the Directors’ view that borrowings from other financial institutions or third party to repay the Indebtedness is infeasible and may further worsen the debt position of the Company.

In light of the foregoing financing challenges, the Company turned to equity markets and, had successfully completed a share subscription of an aggregate of 107,160,000 Shares on 2 April 2025 to certain individual investors. The proceeds of the said share subscription were also insufficient to fully resolve the Company’s financial challenges. As the Subscribers have already

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issued a demand letter to the Company, the issuance of the Convertible Bonds and the terms therein, including the 5% interests and substantial discount on the Conversion Price, provide the Subscribers with certainty and incentives, leading them to grant the necessary extension to the Company for repaying the overdue Indebtedness.

Based on our discussions with the Company, we were also given to understand that during the initial negotiation process in February 2025, equity fund-raising such as fully underwritten rights issue was also considered by the Board. The Company had reached out to three financial brokers and/or asset management companies to inquire about the feasibility of equity fundraisings and other capital market activities other than the issuance of the Convertible Bonds. They had shown little interest in the Company's invitation of equity fundraising exercises in view of the Group's historical financial performance and financial position.

The urgency of the Company's liquidity need is largely dictated by the Subscribers' demand for repayment of the overdue Indebtedness. After comprehensively considering the current market financing environment, the receiving of the demand letter from the Subscribers urging for immediate repayment, the tight liquidity constraint of the Group and the uncertainties that lie within other fundraising channels, it is considered that entering into of the Subscription Agreement with the Subscribers and raising funds by way of the issuance of the Convertible Bonds is a relatively more feasible way and with more certainty to allow the Group more time to settle the Indebtedness at this moment given that (i) the current proposal already provided sufficient incentives for the Subscribers to agree in providing the extension to the Company that enables the Group to avoid immediate repayment and to focus business development; (ii) after attempts, it is difficult for the Group to secure loans; and (iii) other financial institutions showed little interests in participating in the Group's equity fund-raising activities.

Having considered the above discussed, we are of the view that the entering into the Subscription Agreements to issue the Convertible Bonds to the Subscribers is comparatively a more desirable and viable means of settlement of the Indebtedness that have already been due for a considerable time in light of the Group's circumstances. Given that the Indebtedness are due and the Subscribers are willing to offset the Indebtedness with the Convertible Bonds instead of cash which are more liquid and the issuance of the Convertible Bonds to convert the Indebtedness to its non-current liabilities which allows the Group to maintain its cash resources and spread out its payment pressures over a longer period of time providing more development flexibility to the Group, and we concur with the Directors' view that, although the issuance of the Convertible Bonds is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreements and the Convertible Bonds

The principal terms of the Subscription Agreements are summarized below:

Dates	30 May 2025
Parties	(i) the Company;

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(ii) Green Securities; and

(iii) Green Assets

Completion of the Subscription is conditional upon the satisfaction (or waiver, as the case may be) of the conditions precedent under the Subscription Agreements which are set out under the section headed “Conditions precedent” in the Board Letter.

If the conditions precedent of the Subscription Agreements are not satisfied (or waived, as the case may be) by 31 December 2025 (or such later date as the parties may agree in writing and the Stock Exchange may allow), the Subscription Agreements will terminate and cease to have any effect. None of the parties to the Subscription Agreements shall have any claim against or liability or obligation to the other party under the Subscription Agreements save for any rights or obligations which may accrue prior to the date of such termination.

The principal terms of the Convertible Bonds are summarized below:

Principal amount	HK\$30,434,088.52 under the Subscription Agreement A HK\$27,225,391.00 under the Subscription Agreement B HK\$57,659,479.52 in aggregate
Maturity date	On the second anniversary of the Issuance Date
Issue Price	100% of the principal amount of the Convertible Bonds
Conversion rights	Subject to the restrictions below, each Bondholder has the right to convert the Convertible Bonds into the Conversion Shares at any time during the Conversion Period.

The Shares to be issued by the Company under the conversion shall not include fractional Shares. Fractional Shares will not be issued, and no cash adjustments will be made in this regard.

No Bondholder shall exercise any conversion rights and the Company shall not be required to issue any Conversion Share in the event that the exercise of such conversion rights by the Bondholders will cause: (1) more than 20% of the Shares being held by the Bondholders and/or persons acting in concert with them (as defined under the Takeovers Code); and/or (2) the public float of the Company being less than 25% of its issued share capital.

Conversion period	From the first business day after the Issuance Date up to and including the fifteenth business day prior to the maturity date
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Redemption	On the maturity date, any outstanding amount under the Convertible Bonds will be automatically redeemed by the Company in full at the principal amount plus any accrued but unpaid interest.
Event of default	If any of the event of default specified under the Bond Instruments occurs, Bondholders shall be entitled to issue a written notice to the Company that the principal amount of the outstanding Convertible Bonds shall become due and payable on the seventh business day after the issue of the written notice.
Status and listing	<p>The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking equally among themselves and (save as required by law) pari passu with all other present and future unsecured and unsubordinated obligations of the Company.</p> <p>An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application is intended to be made for the listing of the Convertible Bonds on any other stock exchange.</p>
Voting	The Bondholders shall not be entitled to attend or vote at any meetings of the Company by virtue of their state as Bondholders.
Transferability	Subject to compliance with the Listing Rules, the Bondholders may transfer or assign in whole or in part of the Convertible Bonds to any party (except for the connected persons of the Company).

Conversion Price

The initial Conversion Price of HK\$0.28 per Conversion Share represents,

- (i) a discount of approximately 83.53% over the closing price of HK\$1.70 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreement A and the Subscription Agreement B;
- (ii) a discount of approximately 80.14% over the closing price of HK\$1.41 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement A and the Subscription Agreement B;
- (iii) a discount of approximately 83.23% to the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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- (iv) a premium of approximately 868.42% over the net asset value of the Company of approximately HK\$0.02892 per Share based on the audited consolidated net asset value of the Company of approximately HK\$18,592,000 as at 30 June 2025 and the 642,960,000 Shares in issue as at the Latest Practicable Date.

As set out in the Board Letter, the initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers and determined based on the Company's average closing price during January and February 2025 (i.e. HK\$0.28) as the terms of the Subscription were finalized based on negotiations that began in February 2025. The Conversion Price reflected a fair and reasonable valuation at the time negotiations in relation to the Convertible Bonds commenced. Although the Conversion Price represents a deep discount from the prevailing Share price, the Company considers that it is important to factor in that, such terms were finalized based on negotiations that began in February 2025, long before the Share price increase in May 2025. While the Subscribers initially rejected the proposal in February 2025, revising or renegotiating the Conversion Price could have jeopardized the transaction. Therefore, the unchanged Conversion Price intends to maintain stability and ensure the Subscribers' continued commitment to the deal and the ability to secure the Subscribers' agreements to this arrangement is a critical step in addressing the Company's financial obligations. This solution not only spreads out the time for the settlement of the Indebtedness but also preserves the Company's liquidity, making it a valuable and pragmatic resolution for all parties involved.

While the Conversion Price involves a discount and potential dilution to the existing Shareholders, the Directors believe this was necessary trade-off to mitigate the immediate risks posed by the outstanding Indebtedness. Had the Company failed to address the Indebtedness, it could have faced legal proceedings, reputational damage, and operational disruptions. Based on the above, the Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Please also refer to the sections below headed "IFA's assessment on the terms of the Subscription Agreements" for more analysis of and our views on the Convertible Bonds.

Adjustments to the Conversion Price

The Conversion Price shall be subject to adjustments provided in the Bond Instruments and the details of which are set out in the section headed "Principal terms of the Convertible Bonds" in the Board Letter.

Conversion Shares

Assuming the conversion rights are exercised in full at the initial Conversion Price of HK\$0.28 per Share, a maximum of 205,926,712 Conversion Shares will be allotted and issued, which represents (i) approximately 32.03% of the existing total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 24.26% of the total number of Shares in issue (assuming no other changes to the number of issued Shares) as enlarged by the allotment and

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issuance of the Conversion Shares upon full conversion based on the initial Conversion Price. The Conversion Shares shall be allotted and issued under the Specific Mandate to be sought at the EGM.

Assuming that the maximum number of Conversion Shares is issued, the Subscription will not result in theoretical dilution effects of 25% or more and thus complies with the requirement under Rule 7.27B of the Listing Rules.

IFA's assessment on the terms of the Subscription Agreements

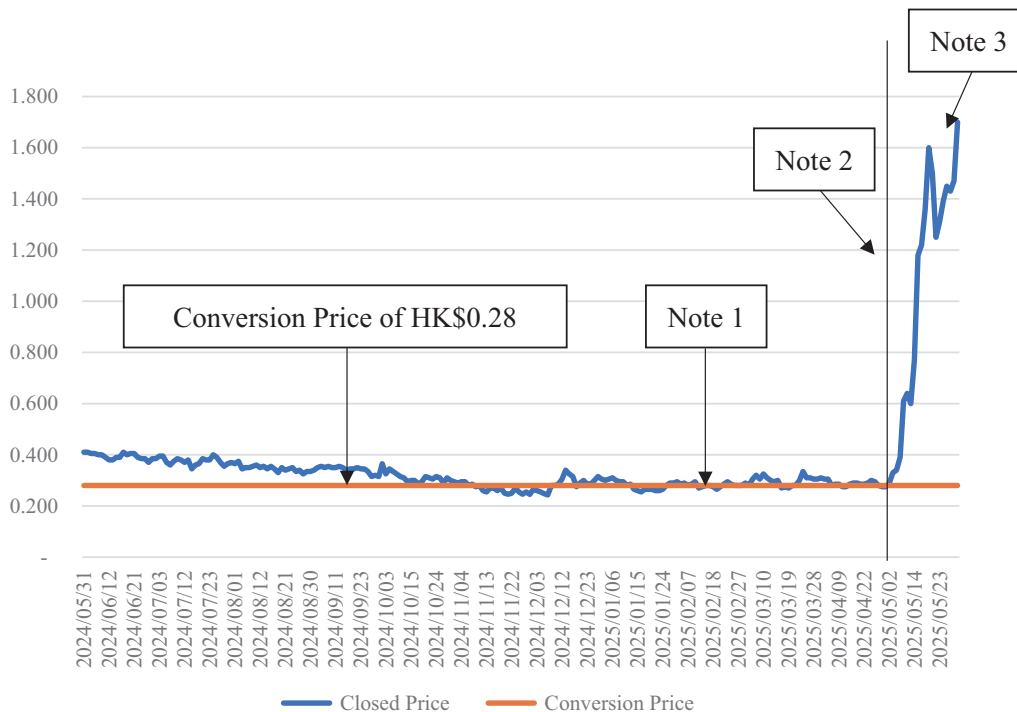
(A) Historical closing price of the Shares

To assess the fairness and reasonableness of the Conversion Price, we have performed a review on the daily closing price and trading volume of the Shares from 31 May 2024 to 30 May 2025 (being a period of approximately 12 months prior to and including the date of the Subscription Agreements, the “**Review Period**”) and compared with the Conversion Price. We consider the Review Period to be adequate, fair and representative to reflect the prevailing market sentiment primarily and illustrate the general trend and level of movement of the daily closing price of the Shares prior to the entering into of the Subscription Agreements.

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The following chart sets out the daily closing price of the Shares on the Stock Exchange during the Review Period:

Historical closing prices



The Stock Exchange

Notes:

1. The period when the Company commenced negotiating with the Subscribers in February 2025, and the Company offered the repayment proposal for the Indebtedness by way of issuance of Convertible Bonds, it should be noted that the conversion price was more comparable to the then market closing price.
2. The Voluntary Announcements (as defined below) were made and that the closing price of the Share surged since May 2025.
3. The Subscribers agreed to the repayment proposal of the Company.

As shown in the chart above, the daily closing price of the Shares has surged notably in early May 2025, recorded a substantial increase of approximately 56.41% in closing price on 9 May 2025 to HK\$0.61 per Share and another substantial increase of approximately 53.25% in closing price on 15 May 2025 to HK\$1.18 per Share (collectively, the “Unusual Price Movements”).

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We noted from the Company's announcement dated 8 May 2025, a non-executive Director has purchased a total of 10,000,000 Shares, representing approximately 1.56% of the issued Share of the Company. We also noted from the Company's announcement dated 16 May 2025, save for receiving demand letters from certain creditors who made demand on the Group, as a borrower, for immediate payment of the loan and accrued interest that have been overdue for a considerable time, the Board did not become aware of any reasons for the fluctuations in the share price or trading volume, nor any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

During the Review Period, the daily closing price of the Shares ranged from HK\$0.243 per Share (the "**Lowest Closing Price**") to HK\$1.940 per Share, with the average closing price of the Shares, as affected by the results in May 2025 in respect of the Unusual Price Movements, amounted to approximately HK\$0.590 per Share (the "**Average Closing Price**"). The Conversion Price of HK\$0.280 represents (i) a premium of approximately 15.23% over the Lowest Closing Price; (ii) a discount of approximately 85.57% to the Highest Closing Price; and (iii) a discount of approximately 52.52% to the Average Closing Price.

We were given to understand by the Company that the preliminary negotiations of the repayment proposal, including but not limited to, the conversion prices of the Convertible Bonds, was discussed during February 2025, when the daily closing prices of the Shares were more comparable to the Conversion Price of HK\$0.280.

According to the Company, the Subscribers initially rejected the Company's proposal in February 2025 but had also informally granted the Company an extension on the repayment of the Indebtedness with no fixed repayment date specified. Despite that the Company had completed a fund-raising exercise by way of share subscription of an aggregate of 107,160,000 Shares on 2 April 2025 and utilized part of the net proceeds thereof to repay the debts owed by the Company to the Subscribers, alongside other creditors of the Company, issued a formal demand letter to the Company on 16 May 2025 warning that legal proceedings would be initiated if the outstanding debts were not resolved promptly. Between 16 May 2025 and 30 May 2025, Mr. Zhong Guoxing and Mr. Di Ling, the executive Directors, continuously requested for the Subscribers to grant an extension for repayment and explored the terms of the Subscription Agreements, including but not limited to, renegotiating a higher conversion price after the Share price surge. During the negotiations, the Subscribers required certainty that the agreed Conversion Price (i.e. HK\$0.28 per Share) would not be altered, as it served as a necessary incentive to compensate for the risk regarding the Company's ability to recover its financial position. The Company had also explored with the Subscribers the possibility of applying a discount to the Indebtedness for issuing of the Convertible Bonds. However, the Subscribers were unwilling to agree to such a discount, as they considered the Loan Arrangements to be a commercial transaction conducted at their own risk and expenses and emphasized that the settlement of the Indebtedness with the Convertible Bonds should be based on the full face value of the Indebtedness.

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After further negotiations during May 2025, the Subscribers eventually showed openness to the proposal of the Company, viewing it as a potential means to recover their Indebtedness by converting them into an equity investment in the Company and leading up to the signing of the Subscription Agreement. Given the circumstances that (i) the tight financial liquidity of the Group and the firm stance of the Subscribers; (ii) the Indebtedness is overdue; and (iii) it would be in the interests of the Company and the Shareholders to avoid potential legal proceedings and adverse consequences, we are of the view that it is justifiable for the Company, having explored alternative means including but not limited to, the possibility of applying a discount with the Subscribers, to agree to issue the Convertible Bonds at full face value to be fair and reasonable.

The market prices during the time between January 2025 to February 2025 served as a benchmark and formed the basis of the price negotiations with the Subscribers. The Conversion Price was determined without taking into account the Share prices and market conditions in May 2025 for the reasons that the Company intends to maintain stability and ensure the Subscribers' continued commitment to the deal with the Company. As a matter of fact, the Subscribers also required certainty that the agreed Conversion Price would not be altered. Even though the Share price has eventually shown positive development, the price discussion has been anchored with reference to the earlier negotiations due to the fact that the Subscriber considered that investment risk in the Company is high given the Company loss making with a modest net asset base position and did not show sufficient signs of recovery of its operations. Considering that commercial banks approached by the Company as well as the other investors shared a similar view towards the Company, the Board comes to a view that viable alternatives for securing external financing, as set out in the sub-section headed "*Alternative fundraising and repayment methods considered*" in this letter, are limited. Accordingly, the terms of the Subscription Agreements are justifiable, given the Subscribers' willingness to agree to the repayment proposal that helps alleviate the Company's short term liquidity pressure and enables the Group to focus on its business expansions.

Moreover, based on the Company's announcements, we notice that the Company has made a chain of voluntary announcements on the website of the Stock Exchange since May 2025 and prior to the entering into of the Subscription Agreements to inform the Shareholders and potential investors of the latest developments in the Group's business. These announcements (the "**Voluntary Announcements**") include,

- 6 May 2025, the Group entered into a strategic cooperation framework agreement with Coinstreet Holdings Limited, whereby the parties agreed to jointly explore the development of innovative financial instruments in the green asset centre, promoting the tokenization of green assets including carbon assets. The Board advised that the agreement has no specified validity period and the parties are still exploring the potential opportunities in this area and such discussions remain in the exploratory phase with no binding agreements have been executed as at the Latest Practicable Date;

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- 15 May 2025, a subsidiary of the Group uploaded the carbon verification methodology system onto the Green Trust Chain in real-time, providing a solid and reliable data foundation for China’s dual-carbon (carbon peaking and carbon neutrality) construction;
- 18 May 2025, a subsidiary of the Group has officially and successfully launched the “Xunli Network V2.0” Platform online; and
- 22 May 2025, the Group entered into a strategic cooperation framework agreement with China Agriculture Sea Rice (Shenzhen) Biotechnology Company Limited, whereby the parties agreed to engage in comprehensive strategic collaboration in areas including ecological management of saline-alkali land, cultivation of salt-alkali tolerant crops, development of carbon sink assets, and industrial demonstration and promotion. The Board advised that the agreement has no specified validity period and the parties are still exploring the potential opportunities in this area and such discussions remain in the exploratory phase with no binding agreements have been executed as at the Latest Practicable Date.

While we may not be able to prove that the Voluntary Announcements have resulted in the fluctuations in the closing prices of the Share since May 2025, it should be reasonable to assume that the Voluntary Announcements have provided further information for the Shareholders and its potential investors, including the Subscribers, to understand the latest development in the Group’s business and may have instilled the confidences into the Subscribers towards the prospect of the Group to accept the Company’s repayment proposal initially offered in February 2025 for the issuance of the Convertible Bonds.

We understood from our discussions with the Company that the Group has been provided with major opportunities which may allow the Group to improve its business development and thus ultimately enhance the returns to the Shareholders. However, as some of the projects of the Group, including those mentioned in the section headed “3. Reasons and benefits of the issue of the Convertible Bonds” in this letter and the Voluntary Announcements, are still in the early stages and will require development time before the Group could generate substantial commercial returns. It is therefore critical for the Group to maintain its cashflow for development and improve its financial position immediately to avoid any interruptions in the operations of the Group’s upcoming projects.

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The current liabilities of the Group

As at 30 June 2025, the current liabilities of the Group of approximately HK\$378.71 million primarily comprise of (i) other payables and accruals (the “**Other Payables**”) of approximately HK\$147.45 million; (ii) interest-bearing bank and other borrowings (the “**Bank and Other Borrowings**”) of approximately HK\$76.27 million; and (iii) the 2016 issued convertible bonds (the “**2016 CB**”), with a carrying amount of approximately HK\$93.00 million and the maturity of which, initially due on 4 February 2018, has been extended to 4 February 2025. Other than the Subscriptions that shall allow the Company to repay parts of its Other Payables, the Company has also been actively negotiating for a revised repayment schedule with the respective lenders and intends to repay its outstanding debts through operation cash flows. A table breaking down the Group’s major current liability components as at 30 June 2025 is set out below for information purpose,

	Other Payables	Bank and Other Borrowings	2016 CB
Amount/ Carrying Amount as at 30 June 2025 (HK\$ million)	147.45 (<i>note 1</i>)	76.27 (<i>note 2</i>)	93.00 (<i>note 3</i>)
Maturity	within 12 months	(i) bank loans with 3.35% p.a. interest (secured) – due 2024 (ii) bank loans with 10.26% p.a. interest (unsecured) – due 2025 (iii) other loans with 4.90%–10.00% p.a. interest (unsecured) – due on demand (iv) other loans with 3.45%–8.00% p.a. interest (unsecured) – due 2025	February 2025

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Notes

1. The Other Payables include (a) approximately HK\$57.00 million as accruals of costs for contract work; (b) approximately HK\$39.94 million as accruals arising from operational expenses; (c) approximately HK\$26.85 million as amount due to an immediate holding company comprising interest due to the promissory note held by Quick Tycoon Limited which is unsecured, interest free and payables on demand; and (d) approximately HK\$24.10 million as other payables relating to administrative expenses.
2. Including the Indebtedness of approximately HK\$57.66 million due to the Subscribers. As at 30 June 2025, loans (i), (ii) and (iii) in the table with a sum of approximately HK\$65.1 million that could not be extended (together with the 2016 CB of approximately HK\$93 million and related accrued interests of approximately HK\$4 million, i.e. totaling approximately HK\$162.03 million) had become default.
3. The full principal amount of HK\$93.00 million of the 2016 CB was expired in February 2025 and become payables of the Group. Principal amount of HK\$89.00 million of the 2016 CB was held by Quick Tycoon Limited and principal amount of HK\$4 million of the 2016 CB was held by Qi Hongji.

The Company has further advised that, as at the Latest Practicable Date, the total amount overdue and/or defaulted by the Group had increased to approximately HK\$202.0 million, comprising operational expenses of approximately HK\$24.9 million, bank and other borrowings of approximately HK\$77.9 million and 2016 CB of approximately HK\$93 million and related accrued interests of approximately HK\$6.2 million.

Cash and cash equivalents

From the latest annual report of the Group, we also noted that as at 30 June 2025, the Group has a cash and cash equivalents amounted to approximately HK\$102.11 million and are expected to be fully utilized in its construction works with aims to secure its market position, maintain competitive and make debt repayment easier in the future. As advised by the Group, these cash and cash equivalents have been earmarked for the operation and development of its existing and new construction projects which include (i) approximately 25.46% utilized for the provision of insurances as well as performance bonds from commercial banks as guarantees for conducting 4 new civil and building work projects (the “**New Projects**”) (comprising four projects that have been awarded to the Group) consisting of civil works, cable circuit improvement and trenching and/or cable laying and contractual works; (ii) approximately 17.14% shall be utilized for executing the joint venture projects for civil engineering works on stormwater storage and improvement works and associated works for highway; and (iii) approximately 57.40% for maintaining cash or cash equivalent requirement to meet the relevant governmental mandate for contractors’ license purposes as well as having sufficient

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cash resources for setting up projects newly secured and the bidding of potential tenders for new projects. A table illustrated the expected return period of the Group's abovementioned projects, based on latest estimation by the Management, is set out below for information purpose,

	(i) provision of insurances and performance bonds	(ii) joint venture projects	(iii) cash requirement and set up costs for new projects and bidding for new projects
# of projects	4 (<i>note 1</i>)	2 (<i>note 2</i>)	n/a
Expected expenses in terms of % of the Group's cash and cash equivalent as at 30 June 2025	25.46%	17.14%	57.40% (<i>note 3</i>)
Expect return period (without delay)	The completions and returns of the New Projects are expected to be in around June 2028 to December 2030 and meanwhile, the Group shall also be reimbursed throughout the contract period	By the end of the relevant contracts which will be around 3 to 4 years	n/a

Notes:

1. Below sets out some of the details of the New Projects, as provided by the Company,
 - (i) projects 1 and 2 (awarded) – both signed in July 2025, commenced work since July 2025 and are currently scheduled to be completed by the end of June 2028. The principal of the performance bonds which are currently reserved to be deposited in commercial banks are expected to be released to the Group (so that the Group may utilize these fundings) upon and after completion of the projects. While the payments for the provision of insurance for these projects will have to be settled when these projects get underway.
 - (ii) project 3 (awarded) – signed in September 2025, commenced work since October 2025 and is currently scheduled to be completed by the end of December 2030. The principal of the performance bonds which are currently reserved to be deposited in commercial banks are expected to be released to the Group (so that the Group may utilize these fundings) upon and after completion of this project. While the payments for the provision of insurance for this project will have to be settled when the project gets underway.

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- (iii) project 4 (awarded) – signed in December 2025 and based on the Company’s assessments, this project is expected to commence work in early February 2026 and is currently scheduled to be completed in January 2029. The principal of the performance bonds which are currently reserved to be deposited in commercial banks are expected to be released to the Group (so that the Group may utilize these fundings) upon and after completion of this project. While the payments for the provision of insurance for this project will have to be settled when the project gets underway.
- 2. JV Project 1 was entered, and work commenced, in August 2024 and is currently scheduled to be completed in November 2028. Execution costs for this project will be required throughout the construction period from August 2024 to November 2028.

JV Project 2 (likely to be awarded), the timeline of this project has not been determined, but it is anticipated that construction works may have to be commenced as soon as early 2026.
- 3. This covers the capital requirement to fulfill the “Maintain Cash or Cash Equivalent to Fulfill Government Mandated Requirement for Employed Capital and Working Capital”, being the higher of (i) HK\$22.2 million; or (ii) a minimum of 8% of the total value of projects at hand (on the first HK\$1,120 million of annualized outstanding works), plus an adequate margin for bidding on potential tenders for new projects (i.e. in the Group’s case, not less than HK\$50 million as at the Latest Practicable Date).

It was mentioned that the Company’s civil engineering (i) is one of its principal businesses, which contributed approximately 68.55% of the revenue during the period 1 January 2023 to 30 June 2024 and approximately 96.11% of the revenue for the year ended 30 June 2025, (ii) the nature such business generally require more upfront capitals in nature; and (iii) the nature of such business often have longer payback periods but comes with potential larger financial rewards to compensate high upfront risks involved in conducting such projects. It is understandable for the Group to prioritize its existing resources on its projects (especially ongoing projects to avoid default and consequential indemnifications) which then allow it to continue its business and operations. In regards of the development of the other business opportunities not related to construction works, as at the Latest Practicable Date, the Company is still in discussions with the corresponding counter parties but is currently intended to source its funds for these initiatives from the combination of (i) revenue generated from its new businesses; (ii) issuance of its carbon assets on blockchain; and/or (iii) identify new investors if and when needed.

Based on the above analysis on the Group’s current financial position and on the basis that the Group’s existing financial resources have been earmarked for its projects and/or business development in light of long term development, we are of the view that (i) the Group has an imminent need for liquidity; (ii) may not be in the interests of the Group to jeopardize its proposal with the Subscribers may potentially expose the Group with risks of immediate repayment (considering the amount of the Indebtedness of approximately HK\$57.66 million could have utilized more than half of its existing cash and cash equivalents) and/or potential legal proceedings; and (iii) should the proposal with the Subscribers ultimately ceased, the potential legal proceedings that may be faced by the Group will only further weaken the confidence of other lenders (i.e. banks) and will inevitably pressure the Group into a more urgent financial situation.

Accordingly, it is important for the Company that the Subscribers are willing to accept the Convertible Bonds since revisiting or renegotiating the Conversion Price after the share price

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surge could have jeopardized the transaction, and if the Subscribers changed their decision and demand for an immediate repayment, the Company will be exposed to substantial financial challenges in the short term and may affect the collaborations and project developments of the Group.

Considering that the initial discussions of the Conversion Price took place in February 2025 and was prior to the Unusual Price Movement, we have also looked into the period commencing from 31 May 2024 to 30 April 2025 prior to the Unusual Price Movements in May 2025 (i.e. being the Review Period excluding May 2025), the daily closing price of the Shares ranged from HK\$0.243 per Share to HK\$0.410 per Share. The Conversion Price of HK\$0.280 would then represents (i) a premium of approximately 15.23% over the Lowest Closing Price; (ii) a discount of approximately 31.71% to the highest closing price of the subject period; and (iii) a discount of approximately 11.52% to the average closing price of the subject period.

Despite of the fact that the Conversion Price is set at substantial discounts to the closing price of the Share as at the time period around the date of the Subscription Agreements, after considering that (i) the preliminary negotiations with the Subscribers were held in February 2025, the market price of the Shares were more comparable at the material time; (ii) the Indebtedness has been due and the Subscribers urged for a repayment; (iii) the financial position of the Company which led us to believe that the Company has minimal bargaining power; (iv) the benefits of issuing the Convertible Bonds as mentioned in the section headed “3. Reasons and benefits of the issue of the Convertible Bonds” in this letter; and (v) any renegotiations with the Subscriber may jeopardize the transactions, for instance, should the Subscriber require an immediate repayment in cash will only add on to the Group’s financial distress, expose to higher risks of facing legal proceedings that may or may not trigger other lenders to demand for their repayments from the Group, potentially affect its operations and development, whereas, being alleviate from the repayment pressure and focus on existing business opportunities may in turn generate more benefits to the Group in the long run, we are of the view that the Conversion Price is reasonable and justifiable.

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(B) Historical trading liquidity of the Shares

We have also performed a review on the average daily trading volume (the “**Average Trading Volume**”) per month of the Shares during the Review Period, which is commonly used for analysis purpose to illustrate the liquidity of the Shares and is considered sufficient and appropriate for our assessment of the historical trading liquidity of the Shares.

Period	Trading Days <i>Days</i>	Average Trading Volume of Shares <i>Shares</i>	Number of issued Shares as at the end of the period <i>Shares</i>	Average Trading Volume during the period as a percentage of the total number of Shares <i>%</i>
2024				
31 May	1	471,000	535,800,000	0.0879
June	19	748,368	535,800,000	0.1397
July	22	612,455	535,800,000	0.1143
August	22	358,227	535,800,000	0.0669
September	19	2,251,158	535,800,000	0.4201
October	21	1,790,429	535,800,000	0.3342
November	21	872,952	535,800,000	0.1629
December	20	4,897,750	535,800,000	0.9141
2025				
January	19	4,933,789	535,800,000	0.9208
February	20	5,679,950	535,800,000	1.0601
March	21	7,352,000	591,300,000	1.2434
April	19	5,321,053	642,960,000	0.8276
1–30 May	20	25,384,100	642,960,000	3.9480

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As illustrated above, the Average Trading Volume of the Shares was not considered as liquid, with a range from 358,227 Shares to 7,352,000 Shares (excluding May 2025 with 25,384,100 Shares as trading volumes may have been affected by, among others, the Voluntary Announcements and are considered irregular as compared to other months) during the Review Period, representing approximately 0.0669% to 1.2434% of the total number of Shares in issue as at the end of the relevant period. We are of the view that such low and relatively thin trading liquidity may hinder independent placing agent(s) or underwriter(s) to participate when the Company pursues equity fundraising exercises and normally may involve more procedures and time to complete.

(C) Market comparables

As part of our analysis, we have conducted research, using our best endeavours, of recent proposed issue of convertible bonds/notes through subscription under specific mandate (the “**CB Comparables**”) by listed companies in the Stock Exchange with net liabilities positions according to their respective financial reports prior to the Subscription Agreements were entered (i.e. 30 May 2025), as we believe these CB Comparables are in a more financially comparable position to the Company at times (i) during the preliminary negotiations were conducted between the Company and the Subscribers; and (ii) the Subscriptions Agreements were entered into. Among the CB Comparables, we note that the net liabilities positions of Mongolia Energy Corporation Limited (stock code: 276) (“**Mongolia Energy**”), China Metal Resources Limited (stock code: 1636) (“**China Resources**”) and E&P Global Holdings Limited (stock code: 1142) (“**E&P Global**”) were notably greater than that of the Company and, on an absolute basis, may appear less comparable than the other CB Comparables. Notwithstanding the above, we consider these CB Comparables to be representative, as each (at the material time when the Subscription Agreements were entered into) shared similar distress characteristics with the Company (as evidenced in their respective announcements/circulars regarding convertible bonds issuances and financial reports), including but not limited to,

- in the case of Mongolia Energy, exhibits a high leverage position, exposure to immediate debt settlement risk and going concern qualifications, according to its announcement dated 6 March 2025, its issuance of convertible bonds form part of a debt-restructuring plan to settle its outstanding liabilities. Its financial condition was unfavorable for substantial fundraising, requiring a considerable discount to prevailing market share prices and receiving no favorable response from brokerage houses – mirroring the Company’s constraints.
- in the case of China Resources, has defaulted on repayments, is subject to overdue debts and carries going concern qualifications. According to its circular dated 21 March 2025, the convertible bonds were issued to settle its outstanding payable fees. The company remains in continuous creditor negotiations to defer repayment, and failure to settle would jeopardize essential operations – making it directly comparable to the Company’s position.

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- in the case of E&P Global, faces overdue liabilities demandable at any time, coupled with tight cash flow constraints and going concern qualifications. According to its announcement dated 2 December 2024, the convertible bonds were issued to fully settle these overdue liabilities. It lacks suitable assets to meet banks' collateral requirements and is unable to service additional finance costs, and faces insurmountable fundraising barriers – highly analogous to the Company's challenges.

We consider that, while absolute net liabilities differ significantly, these CB Comparables are also reasonably representable of the Company's financial position and conditions, such as creditor pressure and reliance on convertible bonds as a restructuring mechanism. Accordingly, they have been included in our analysis, and together with the other CB Comparables which share similar net liabilities size as the Company at the material time, can provide meaningful information in assisting us to assess the fairness and reasonableness of the Subscription Agreements. Moreover, this shared status of having net liabilities leads investors to perceive a higher risk of failure, which in turn weakens these company's negotiating powers. As far as we are aware, we have identified an exhaustive list of 10 CB Comparables, which were announced by companies listed on the Stock Exchange from 31 May 2024 to the date of the Subscription Agreements (the "**Comparison Period**"), being one year, to provide a general reference for the recent market practice in relation to the key terms of convertible bonds under similar market condition. We considered that the Comparison Period reasonable and sufficient as it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the CB Comparables as a whole provide us fair and representative results.

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Shareholders should also note that the businesses, operations and prospect of the Company are not the same as the CB Comparables. Notwithstanding that, we consider that the terms of the CB Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the CB Comparables are indicative in assessing the fairness and reasonableness of the terms of the Convertible Bonds. We set out the relevant findings in the table below:

Date	Company (stock code)	Net asset/ (liabilities) value (Note 1) (HK\$ million)	Maturity months	Interest rate p.a. %	Premium/(discount) of conversion price over/to the closing share price on the last day prior to/on the date of announcement or entering into of the relevant agreement %	Premium/ (discount) of conversion price over/to the average closing share price for the last five consecutive trading days prior to/on the date of announcement or entering into of the relevant agreement %	Connected transaction (Yes/No)
21/04/2025	Daido Group Limited (544)	(22.88)	36	6.00	(19.98)	(18.90)	No
14/04/2025	Wai Chun Bio-Technology Limited (660)	(68.80)	36	2.00	(7.89)	(13.37)	Yes
11/04/2025	Wai Chun Group Holdings Limited (1013)	(257.30)	36	2.00	(5.26)	(16.36)	Yes
14/03/2025	Oriental Payment Group Holdings Limited (8613)	(5.33)	12	7.00	(13.53)	(12.61)	No
06/03/2025	Mongolia Energy Corporation Limited (276)	(3,121.17)	36	3.00	25.0	22.2	Yes
28/01/2025	China Metal Resources Utilization Limited (1636)	(4,425.18)	6	9.00	(90.58)	(90.55)	No
02/12/2024	E&P Global Holdings Limited (1142)	(1,869.15)	60	-	(21.88)	(24.92)	No
03/10/2024	China Metal Resources Utilization Limited (1636) (Note 2)	(4,425.18)	24	6.00	868.75	564.29	No
19/08/2024	China Healthcare Holdings Limited (348)	(18.38)	24	6.00	57.14	54.93	No
14/08/2024	China Baoli Technologies Holdings Limited (164) (Note 2)	(360.38)	60	4.00	2,025.43	1,807.44	No
	Minimum			-	(90.58)	(90.55)	
	Maximum			9.00	57.14	54.93	
	Average			4.38	(9.62)	(12.45)	
30/05/2025	The Convertible Bonds	(30.69)	24	5.00	(83.53)	(80.14)	Yes

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Notes:

1. The net assets/liabilities value of the respective CB Comparables are extracted from their respective published interim or annual reports at the material time. While the net liabilities value of the Group is referred to its financial position as at 31 December 2024, being the latest available published financial information of the Group prior to the entering of the Subscriptions Agreements that was extracted from its interim report for the six months ended 31 December 2024.
2. Based on the set of sample data, the 25th percentile and 75th percentile were computed as discount of 20.46% and premium of 252.55% respectively resulting in an interquartile range of 273.01%. Any values below the lower bound of -429.96% (i.e. calculated by 25th percentile being $-20.46 - 1.5 \times 273.01$) and beyond 662.06% (i.e. calculated by 75th percentile being $252.55 + 1.5 \times 273.01$) is considered statistically detached from the core data cluster and represents an extreme deviation. Accordingly, this comparable transaction, which its premium/(discount) of conversion price over/to closing share price on the last trading day prior to/on the date of announcement or entering into of the relevant agreement which exceeded the upper bound of 662.06% and was significantly above all other CB Comparables, was excluded from our analysis as outlier.

As set out in the table above, we note that the conversion price to

- (i) the closing share price on the last trading day prior to/on the date of announcement in relation to the CB Comparables (except the outliers) ranged from a discount of approximately 90.58% to a premium of approximately 57.14% with the average being discount of approximately 9.62%; and
- (ii) the average closing share price for the last five consecutive trading days prior to/on the date of the announcement in relation to the CB Comparables (except the outliers) ranged from a discount of approximately 90.55% to a premium of approximately 54.93% with the average being discount of approximately 12.45%.

Modest improvement in the financial position of the Group as at 30 June 2025

Following the issuance of the Company's audited annual report for the year ended 30 June 2025, we have come into attention that the Group has improved from net current liabilities of approximately HK\$34.56 million and net liabilities of approximately HK\$1.40 million as at 30 June 2024 to net current assets of approximately HK\$18.88 million and net assets of HK\$18.59 million as at 30 June 2025. This improvement was primarily driven by a gain in fair value of the carbon-credit assets, which the Group intends to further leverage and tokenize, which are subject to uncertainties and market fluctuations depending on investor confidence, rather than reductions in debt or increases in cash or account receivables from its operations. Also considering the Directors' assessments, after having further negotiations with the Subscribers during May 2025, amendments (i.e. change in Conversion Price) to the Subscription Agreements could jeopardize the transactions and trigger immediate repayment of the Indebtedness, we are of the view that the Group's financial position remains weak due to, among other reasons, high leverage and defaulted borrowings which had been posing challenges to the Group in securing other financial alternatives as discussed in the section headed "3. Reasons for and benefits of the issue of the Convertible Bonds" of this letter and that the above results of the CB Comparables continue to be representative and appropriate despite the modest improvement in the financial position of the Group as at 30 June 2025.

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The Conversion Price

Further to our analysis and/or conclusion set out under the sub-section above headed “A. Historical closing prices of the Share” in this letter, and the results of the CB Comparables, where the discounts of the Conversion Price are within the observed ranges of the conversion prices of the CB Comparables, we are of the view that, the Conversion Price which was a commercial decision negotiated between the Company and the Subscribers with references to, among others, its financial position and performance in the recent years as well as the market prices during January 2025 and February 2025 when the preliminary negotiations were made, we concur with the Directors’ view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Interest Rate

As presented by the table above, the CB Comparables had annual interest rates from nil to 9.00% with an average interest rate of approximately 4.38%. While the interest rate of the Convertible Bonds is slightly higher than the average interest rate of the CB Comparables, we consider that the interest rate of the Convertible Bonds to be fair and reasonable given that it is within the range of the CB Comparables and there were 4 out of 8 Comparables (excluded the outliers) had the annual interest rates higher than or the same as the interest rate of the Convertible Bonds.

Maturity term

The term to maturity of the CB Comparables ranged from 6 months to 36 months. Considering that the term to maturity of the Convertible Bonds falls within such range, we concur with the Directors’ view that the term to maturity of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above analysis, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

5. Potential dilution effects of the Capitalisation

As shown in the shareholding structure table in the Board Letter, the public shareholders' shareholding in the Company would be diluted from approximately 64.00% as at the Latest Practicable Date to approximately 48.47% immediately upon full conversion of the Convertible Bonds (assuming that there is no other change in the shareholding of the Company).

Having considered that (i) the issuance of the Convertible Bonds will relieve the imminent financial needs of the Group; (ii) the terms of the Convertible Bonds being fair and reasonable so far as the Independent Shareholders are concerned; (iii) the Subscribers' willingness to accept the Company's repayment proposal and any renegotiation may jeopardize the transactions and ultimately lead to an immediate repayment of the Indebtedness; and (iv) the reasons and benefits as mentioned under the section "3. Reasons for and benefits of the issue of the Convertible Bonds", we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable, and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Capitalisation

Net Assets, Liquidity and Working Capital of the Group

The Group will not receive any proceeds from the issue of the Convertible Bonds, but upon completion of the Subscription, approximately HK\$57.66 million of the Indebtedness will be fully replaced by the Convertible Bonds and reclassified as non-current liabilities in the form of Convertible Bonds. As a result, current liabilities will decrease, thereby easing liquidity pressure and strengthening the Group's working capital position.

Upon full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be converted into a maximum of 205,926,712 new Shares, and shall be recognised as the equity of the Company, which in turn will enlarge the capital base and enhance the net assets position of the Company.

The above analysis is for illustrative purposes only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the entering into of the Subscription Agreements is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution(s) to be proposed at the EGM to approve the entering into of the Subscription Agreements and the transactions contemplated thereunder, including but not limited to, the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares and the granting of the Specific Mandate at the EGM.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 28 years of experience in corporate finance industry.

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 regarding 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. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, Mr. Geng Zhiyuan, a non-executive Director, was beneficially interested in 22,000,000 Shares, representing approximately 3.42% of the issued share capital of the Company, and Mr. Chen Yonglan, a non-executive Director, was beneficially interested in 10,000,000 Shares, representing approximately 1.56% of the issued share capital of the Company. Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) (i) which were required to notify 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “**Model Code**”), to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders and other persons

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors and the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Nature of interest	Number of Ordinary Shares held	Number of Underlying Shares held	Total	Approximate percentage of shareholdings
Quick Tycoon Limited	Beneficial owner	89,470,000	44,500,000	133,970,000	20.84%
China Eco Fund Investment Limited	Beneficial owner	40,000,000	–	40,000,000	6.22%
China Eco Investment	Interest in a controlled corporation ^(a)	129,470,000	44,500,000	173,970,000	27.06%
Mr. Sha Tao	Interest in a controlled corporation ^(a)	129,470,000	44,500,000	173,970,000	27.06%
Ms. Chan Tan Na Donna	Interest of spouse ^(b)	129,470,000	44,500,000	173,970,000	27.06%
Legit Aiming Limited	Beneficial owner	70,000,000	–	70,000,000	0%
Mr. Hai Shixun	Interest in a controlled corporation ^(c)	70,000,000	–	70,000,000	0%
Mr. Gao Rihui	Interest in a controlled corporation ^(c)	70,000,000	–	70,000,000	0%
Youth Force Asia Ltd.	Beneficial owner	51,700,000	–	51,700,000	0%
Mr. Jiang Jianhui	Interest in a controlled corporation ^(d)	51,700,000	–	51,700,000	0%

Note:

- (a) 89,470,000 Shares and 44,500,000 underlying Shares relating to convertible bonds are held by Quick Tycoon Limited, which is wholly owned by China Eco Investment, a company which is wholly owned by Mr. Sha Tao. 40,000,000 Shares are held by China Eco Fund Investment Limited, which is also wholly owned by China Eco Investment. Therefore, each of China Eco Investment and Mr. Sha Tao are deemed to be interested in the Shares and underlying Shares interested by Quick Tycoon Limited and China Eco Fund Investment Limited.

- (b) Ms. Chan Tan Na Donna is the spouse of Mr. Sha Tao.
- (c) Legit Aiming Limited is owned by Mr. Hai Shixun and Mr. Gao Rihui as to 51% and 49%, respectively. Therefore, each of Mr. Hai Shixun and Mr. Gao Rihui is deemed to be interested in the Shares held by Legit Aiming Limited.
- (d) Youth Force Asia Ltd. is wholly owned by Mr. Jiang Jianhui. Therefore, Mr. Jiang Jianhui is deemed to be interested in the Shares held by Youth Force Asia Ltd.
- (e) Calculation of percentage of interest in the Company is based on the issued share capital of 642,960,000 Shares as at the Latest Practicable Date.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or was a substantial shareholder of the Company.

None of the Director is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. 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 which does not expire or is not terminable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

(a) Director's interests in contracts

As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(b) Director's interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 30 June 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Competing business

As at the Latest Practicable Date, none of Directors and their respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under the Listing Rules as if each of them was a controlling shareholder).

5. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which is contained or referred to in this circular:

Name	Qualification
Veda Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (i) had no direct or indirect shareholdings 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; and
- (ii) had no interests, direct or indirect, in any assets which had been, since 30 June 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report or opinion (as the case may be) and reference to its name in the form and context in which they respectively appear.

6. MATERIAL ADVERSE CHANGE

Since 30 June 2025 (the date of the most recent audited financial statements published by the Group), there have been no material adverse changes in the financial or operational position of the Group.

7. GENERAL

This circular has been printed in English and Chinese; in the event of inconsistency, the English version shall prevail.

8. DOCUMENTS ON DISPLAY

The following documents will be available on (i) the website of the Company (www.carbonneutral.com.hk) and (ii) the website of the Stock Exchange (www.hkex.com.hk) during the period of 14 days from the date of this circular:

- (i) the letter from the Board, the text of which is set out in “Letter from the Board” in this circular;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in “Letter from the Independent Board Committee” in this circular;
- (iii) the letter from the IFA to the Independent Board Committee and the Independent Shareholders, the text of which is set out in “Letter from the Independent Financial Adviser” in this circular;
- (iv) the written consent referred to in the paragraph headed “5. Expert’s qualification and consent” in this appendix;
- (v) the Subscription Agreements in relation to the subscription of the Convertible Bonds; and
- (vi) this circular.

NOTICE OF EGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



中國碳中和發展集團有限公司

China Carbon Neutral Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1372)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Carbon Neutral Development Group Limited (the “**Company**”) will be held at Room B, 33rd Floor, Nuode Financial Centre, Fuzhong 3rd Road, Futian District, Shenzhen, Guangdong Province, PRC on Monday, 29 December 2025 at 10:30 a.m. for the following purposes. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular dated 5 December 2025 issued by the Company.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the subscription agreement dated 30 May 2025 (the “**Subscription Agreement A**”) entered into between the Company and Green Securities Group Limited (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) in relation to the issue of the convertible bonds in the principal amount of HK\$30,434,088.52, be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange having approved the listing of and dealing in the relevant conversion shares under the Subscription Agreement A, the Directors be and are hereby granted a specific mandate to allot and issue up to 108,693,173 ordinary shares of the Company at the conversion price of HK\$0.28 (subject to adjustments) per conversion share, upon exercise of conversion rights attaching to the convertible bonds in accordance with the terms of the Subscription Agreement A; and

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- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and sign and execute all such documents and to take such steps as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement A and the transactions contemplated thereby.”

2. “THAT

- (a) the subscription agreement dated 30 May 2025 (the “**Subscription Agreement B**”) entered into between the Company and Green Assets Management Limited (a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose) in relation to the issue of the convertible bonds in the principal amount of HK\$27,225,391.00, be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange having approved the listing of and dealing in the relevant conversion shares under the Subscription Agreement B, the Directors be and are hereby granted a specific mandate to allot and issue up to 97,233,539 ordinary shares of the Company at the conversion price of HK\$0.28 (subject to adjustments) per conversion share, upon exercise of conversion rights attaching to the convertible bonds in accordance with the terms of the Subscription Agreement B; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and sign and execute all such documents and to take such steps as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement B and the transactions contemplated thereby.”

Yours faithfully,

By order of the Board

China Carbon Neutral Development Group Limited

Chen Yonglan

Chairman and Non-executive Director

Hong Kong, 5 December 2025

Notes:

1. A form of proxy for use at the EGM (or any adjournment thereof) is enclosed herewith. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member.

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2. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof).
4. Completion and return of the proxy form will not preclude a member of the Company from attending and voting in person at the EGM (or any adjournment thereof) should he/she/it so wishes and in such event, the proxy form will be deemed to have been revoked.
5. All resolution(s) at the EGM will be taken by poll (except where the chairman of the EGM decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
6. The register of members of the Company will be closed from Monday, 22 December 2025 to Monday, 29 December 2025 (both days inclusive) for the purpose of determining the right to attend and vote at the EGM, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming EGM, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Sunday, 21 December 2025.

As at the date of this notice, the executive Directors are Mr. Di Ling, Mr. Lu Xiangyong and Mr. Cheung Hiu Tung; the non-executive Directors are Mr. Chen Yonglan, Mr. Geng Zhiyuan (Mr. Chen Lui as his alternate) and Mr. Zhong Guoxing; and the independent non-executive Directors are Mr. Wang Jiasi, Mr. Cao Ming and Ms. Qiao Yanlin.