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**If you have sold or transferred** all your shares in Enviro Energy International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was affected, for transmission to the purchaser or transferee.



**Enviro Energy International Holdings Limited**

**環能國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1102)**

**(1) CONNECTED TRANSACTION  
IN RELATION TO ISSUE OF NEW SHARES UNDER  
SPECIFIC MANDATE FOR DEBT CAPITALISATION  
AND APPLICATION FOR WHITEWASH WAIVER;  
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



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



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 6 to 24 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on page 25 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 58 of this circular.

A notice convening the EGM to be held at 20/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 2 May 2024 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding 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 at any adjourned meeting should you so wish.

8 April 2024

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## DEFINITIONS

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

“2023 Annual Results”	the annual results announcement of the Company for the year ended 31 December 2023
“Able Plus”	Able Plus International Limited, which is owned by Mr. Pan and his spouse as to 40% and 60% respectively, is a company incorporated in Hong Kong with limited liability and one of the Creditors
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 7 February 2024 in relation to, among others, (i) the Settlement Agreement and the transactions contemplated thereunder and the specific mandate; (ii) the Whitewash Waiver; and (iii) the Proposed Increase in Authorised Share Capital
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong, the PRC and Cayman Islands, except a Sunday, a Saturday, a public holiday, and a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong, the PRC and Cayman Islands at any time between 9:00 a.m. and 5:00 p.m.
“Capitalisation Shares”	an aggregate of 896,993,536 new Shares to be issued and allotted at the Issue Price by the Company to the Creditors pursuant to the Settlement Agreement
“Company”	Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1102)
“Completion”	completion of the Debt Capitalisation in accordance with the terms and conditions of the Settlement Agreement
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Creditors”	WIFHL, WIFL, Mr. Pan, Able Plus, Longma International, Mr. Tang and Mr. Zhou

## DEFINITIONS

“Debt Capitalisation”	the capitalisation of the Indebted Amount owed by the Company to the Creditors pursuant to the Settlement Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 20/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 2 May 2024 at 3:00 p.m. to approve, inter alia, (i) the Settlement Agreement and the transactions contemplated thereunder and the relevant specific mandate; (ii) the Whitewash Waiver; and (iii) the Proposed Increase in Authorised Share Capital
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indebted Amount”	HK\$44,849,677, being the aggregate amount of indebtedness owed by the Company to the Creditors as at 30 November 2023
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Zhong Jian, Mr. Pan Yongye and Mr. Liu Qin, established to advise the Independent Shareholders on the Debt Capitalisation and the relevant specific mandate, and the Whitewash Waiver
“Independent Financial Adviser” or “Grand Moore Capital”	Grand Moore Capital Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity
“Independent Shareholders”	Shareholders other than (i) WIFHL and parties acting in concert with it and (ii) Shareholders who are interested in or involved in the Debt Capitalisation and/or the Whitewash Waiver (including the Creditors)

## DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) and its (their) respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is(are) third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Issue Price”	HK\$0.05 per Capitalisation Share
“Latest Practicable Date”	5 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Last Trading Day”	25 January 2024, being the last trading day of the Shares immediately prior to the date of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans provided by the Creditors to the Company to be settled pursuant to the Settlement Agreement
“Long Stop Date”	30 June 2024 or such later date as the Company and the Creditors may from time to time agree in writing
“Longma International”	Longma International Family Services Group Limited, which is owned by WIFHL and Mr. Li Gang as to 66.67% and 33.33% respectively, is a company incorporated in Hong Kong with limited liability and one of the Creditors
“Mr. Pan”	Mr. Pan Lihui, an executive Director of the Company, a Shareholder who holds 33,112,281 Shares of the Company as at the Latest Practicable Date, representing approximately 6.11% of the total issued share capital of the Company, and one of the Creditors
“Mr. Tang”	Mr. Tang Zhengbang, the son of Mr. Li Gang, a PRC citizen and one of the Creditors
“Mr. Zhou”	Mr. Zhou Lixin, a PRC citizen, a Shareholder holding 14,071,460 Shares as at the Latest Practicable Date, representing approximately 2.59% of the total issued share capital of the Company, and one of the Creditors
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

## DEFINITIONS

“Proposed Increase in Authorised Share Capital”	the proposed increase in Company’s authorised share capital from HK\$50,000,000 divided into 1,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each by creating an additional 9,000,000,000 Shares
“Settlement Agreement”	the settlement agreement dated 25 January 2024 entered into between the Company and the Creditors in relation to the Debt Capitalisation
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Whitewash Waiver”	the waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of WIFHL to make a mandatory general offer to the Shareholders in respect of all issued Shares not already owned or agreed to be acquired by WIFHL and its concert parties which may be triggered upon the Completion
“WIFHL”	Wonderland International Financial Holdings Limited, a company incorporated in Hong Kong with limited liability and one of the Creditors. WIFHL is 55.95% owned by Hua Zhi Investment Limited, which is in turn owned as to 56.21% by Mr. Li Gang, 29.95% by Mr. Wang Shengkun, 11.98% by Ms. Lu Qing and 1.86% by Mr. Feng Dafu

## DEFINITIONS

“WIFL”	Wonderland International Finance Limited, a company incorporated in Hong Kong with limited liability and one of the Creditors is a wholly-owned subsidiary of Wonderland Capital International Holdings Limited, which is beneficially owned as to (i) 33.33% by Wonderland Group Investment Holdings Corporation, which is in turn equally held by Mr. Jiang Peixing and Mr. Liu Shao Kang; (ii) 19.05% by China Minghua Holdings Limited which is wholly owned by Mr. Zhang Xiaoming; (iii) 19.05% by Mr. Yan Qiang; (iv) 19.05% by Mr. Shi Jiaqi; and (v) 9.52% by Mr. Li Xiaolei
“WIIHL”	Wonderland International Investment Holdings Limited, a company incorporated in Hong Kong with limited liability, a Shareholder which holds 112,789,766 Shares as at the Latest Practicable Date, representing approximately 20.79% of the total issued share capital of the Company. WIIHL is owned by Hua Zhi Investment Limited as to approximately 58.44%, which is in turn owned as to 56.21% by Mr. Li Gang, 29.95% by Mr. Wang Shengkun, 11.98% by Ms. Lu Qing and 1.86% by Mr. Feng Dafu
“%”	per cent



**Enviro Energy International Holdings Limited**

**環能國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1102)**

*Executive Directors:*

Mr. Li Gang (*Chairman*)

Mr. Pan Lihui

Mr. Jiang Senlin

Mr. Cao Zhongshu

*Independent Non-executive Directors:*

Mr. Liu Qin

Mr. Zhong Jian

Mr. Pan Yongye

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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

20/F., No.9 Des Voeux Road West,  
Sheung Wan,  
Hong Kong

8 April 2024

*To the Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION  
IN RELATION TO ISSUE OF NEW SHARES UNDER  
SPECIFIC MANDATE FOR DEBT CAPITALISATION  
AND APPLICATION FOR WHITEWASH WAIVER;  
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement of the Company dated 7 February 2024 in relation to, among other things, (i) the Settlement Agreement and the transactions contemplated thereunder and the specific mandate; (ii) the Whitewash Waiver; and (iii) the Proposed Increase in Authorised Share Capital.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information in relation to the Settlement Agreement and the transactions contemplated thereunder and the specific mandate, the Whitewash Waiver and the Proposed Increase in

## LETTER FROM THE BOARD

Authorised Share Capital; (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Settlement Agreement and the Whitewash Waiver and as to voting; (iii) the letter from Grand Moore Capital to the Independent Board Committee in respect of the terms of the Settlement Agreement and the Whitewash Waiver and as to voting; (iv) additional information as required under the Listing Rules and the Takeovers Code; and (v) the notice of the EGM.

### (1) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION AND APPLICATION FOR WHITEWASH WAIVER

#### Background of the Indebted Amount

During the suspension of trading of the Shares of the Company from September 2021 to May 2023, the Company entered into a number of loan agreements with the Creditors for the Loans for raising working capital to financing business development and daily operation of the Company.

Details of the Loans are set out as follows:

Creditors	Date of relevant loan agreements	Due date	Date of loan receipt	Principal amount HK\$	Indebted Amount as at 30 November 2023 HK\$ <i>(approximately)</i>	Capitalisation Shares to be allotted and issued under the Debt Capitalisation
WIFHL	1 December 2022	31 December 2023	1 December 2022	28,138,519	28,138,519	562,770,380
Mr. Pan	1 December 2022	31 December 2023	1 December 2022	9,986,371	9,986,371	199,727,425
WIFL	9 February 2023	31 December 2023	13 February 2023	1,000,000	1,023,852	28,530,160
	7 August 2023	31 January 2024	11 September 2023	400,000	402,656	
Longma International	10 February 2023	31 December 2023	9 February 2023	1,000,000	1,024,180	28,549,180
	23 August 2023	31 January 2024	23 August 2023	400,000	403,279	
Able Plus <i>(Note 1)</i>	9 February 2023	31 December 2023	10 February 2023	1,000,000	1,024,098	28,544,920
	7 August 2023	31 January 2024	28 July 2023 to 5 September 2023	400,000	403,148	
Mr. Tang	17 February 2023	31 December 2023	17 February 2023	1,000,000	1,023,525	20,470,491
Mr. Zhou	4 May 2023	31 December 2023	8 May 2023	1,000,000	1,016,967	28,400,980
	7 August 2023	31 January 2024	29 August 2023	400,000	403,082	
<b>Total</b>					44,849,677	896,993,536

## LETTER FROM THE BOARD

*Notes:*

1. The Capitalisation Shares to be allotted and issued under the Debt Capitalisation for Able Plus will be allotted and issued to Mr. Pan pursuant to the Settlement Agreement.
2. The Capitalisation Shares to be issued and allotted under the Debt Capitalisation represented each of the Indebted Amount divided by the Issue Price of HK\$0.05 subject to rounding adjustments.

### **Debt Capitalisation**

On 25 January 2024 (after trading hours), the Company entered into the Settlement Agreement with the Creditors, pursuant to which the Company has conditionally agreed to capitalise the Indebted Amount owed to the Creditors by the Company, the Creditors have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 896,993,536 Capitalisation Shares at the Issue Price of HK\$0.05 per Capitalisation Share under a specific mandate.

### **The Settlement Agreement**

The principal terms of the Settlement Agreement are set out as follows:

Parties:	The Company and the Creditors
Issuer:	The Company
Capitalisation Shares:	896,993,536 Capitalisation Shares
Issue Price:	HK\$0.05 per Capitalisation Share

### *Debt Capitalisation*

The Company is indebted to the Creditors in the sum of the Indebted Amount. The Company will issue to the Creditors the Capitalisation Shares at the Issue Price as full settlement of the Loans and the fulfilment of all obligations of the Company under the respective loan agreement.

### *Capitalisation Shares*

The 896,993,536 Capitalisation Shares under the Debt Capitalisation will be allotted and issued under a specific mandate which is subject to Independent Shareholders' approval at the EGM.

## LETTER FROM THE BOARD

Assuming there will be no change in the issued share capital of the Company from the date of the Settlement Agreement up to the date of Completion, the Capitalisation Shares represent:

- (i) approximately 165.38% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 62.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

### *Issue Price*

The Issue Price of HK\$0.05 per Capitalisation Share represents:

- (i) a discount of approximately 10.7% to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the date of the Settlement Agreement;
- (ii) a discount of approximately 5.7% to the average closing price of approximately HK\$0.053 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Last Trading Day;
- (iii) a discount of approximately 61.73% to the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 57.47% to the average closing price of approximately HK\$0.087 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Latest Practicable Date;
- (v) a price difference of approximately HK\$0.132 as compared to the audited consolidated net liabilities of approximately HK\$0.082 per Share as at 31 December 2022, which is calculated based on the Group's audited consolidated net liabilities of the Company of approximately HK\$44,679,000 as at 31 December 2022 and 542,392,207 Shares in issue as at the Latest Practicable Date;
- (vi) a price difference of approximately HK\$0.118 as compared to the unaudited consolidated net liabilities of the Company of approximately HK\$0.068 per Share as at 30 June 2023, which is calculated based on the Group's unaudited consolidated net liabilities of the Company of approximately HK\$37,051,000 as at 30 June 2023 and 542,392,207 Shares in issue as at the Latest Practicable Date;

## LETTER FROM THE BOARD

- (vii) a price difference of approximately HK\$0.168 as compared to the audited consolidated net liabilities of the Company of approximately HK\$0.118 per Share as at 31 December 2023, which is calculated based on the Group's audited consolidated net liabilities of the Company of approximately HK\$63.9 million as at 31 December 2023 and 542,392,207 Shares in issue as at the Latest Practicable Date;
- (viii) a price difference of approximately HK\$0.170 as compared to the adjusted unaudited net liabilities of the Company of approximately HK\$0.120 per Share as at 31 December 2023. The calculation of the adjusted unaudited consolidated net liabilities of the Company per Share as at 31 December 2023 is set out under the section headed "Property Interests and Adjusted Net Asset Value" in Appendix I to this circular; and
- (ix) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 6.61% of the theoretical diluted price of HK\$0.0523 per Share to the benchmarked price of HK\$0.056 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Settlement Agreement of HK\$0.056 per Share and the average closing price of HK\$0.0532 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Settlement Agreement).

As at 31 December 2023, the audited consolidated net liabilities of the Group were approximately HK\$63.9 million.

The Issue Price was determined after arm's length negotiation between the Company and the Creditors after taking into account (i) the Indebted Amount being overdue or would be overdue imminently as at the date of the Settlement Agreement; (ii) the recent trading prices of the Shares prior to the date of signing the Settlement Agreement; (iii) the trading volume of the Shares was thin with average daily trading volume of the Shares per month around 0.05% of the total number of issued Shares since the resumption of trading of the Shares in May 2023; (iv) the net current liabilities and net liabilities of the Group as at 31 December 2022 and 31 December 2023; and (v) the current equity capital market conditions. The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser, but save for Mr. Li Gang, Mr. Pan and Mr. Jiang Senlin who have material interest in the Debt Capitalisation contemplated under the Settlement Agreement) consider that the terms of the Settlement Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The amount of the total issue price of the Capitalisation Shares shall be satisfied by way of capitalising the Indebted Amount owed to the Creditors by the Company. In addition, the Group will use its internal resources to settle the professional fees and all related expenses of approximately HK\$0.8 million which may be borne by the Company in connection with the Debt Capitalisation.

## LETTER FROM THE BOARD

### *Ranking*

The Capitalisation Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Capitalisation Shares.

### *Conditions precedent*

The Completion is conditional upon the satisfaction of the following conditions precedent:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares;
- (ii) passing by the Independent Shareholders of the Company resolutions at the EGM approving (a) the Settlement Agreement and the transactions contemplated thereunder (more than 50% of the votes cast by the Independent Shareholders at the EGM by way of poll); and (b) the Whitewash Waiver (at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll) in accordance with the Listing Rules and the Takeovers Code;
- (iii) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to WIFHL, and the satisfaction of all conditions (if any) attached thereto; and
- (iv) the obtaining by the Company of the approval from the Shareholders on the Proposed Increase in Authorised Share Capital.

All the above conditions precedent are not waivable. As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled.

If the above conditions precedent are not satisfied by the Long Stop Date, the Settlement Agreement shall be automatically terminated with immediate effect.

### *Completion*

Completion of the Debt Capitalisation shall take place within seven Business Days after the date on which the last conditions precedent is satisfied, or at such other date, time and venue as the parties may agree in writing.

### **Listing Application**

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

## LETTER FROM THE BOARD

### Information on the Group

The Group is principally engaged in the supply of construction essentials business since 2017, which primarily consisted of two major businesses, namely (1) the supply of building materials business; and (2) the supply of aluminum related products business, which are part of the construction supply chain.

### Information on the Creditors

The Creditors consisted of WIFHL, Longma International, Mr. Tang, WIFL, Mr. Pan, Able Plus and Mr. Zhou.

WIFHL is a company with limited liability incorporated in Hong Kong principally engaged in investment holding, which holds 66.67% equity interest of Longma International as its only investment. WIFHL is wholly-owned by Wonderland International Financial Holdings Company, which is in turn owned as to (i) 55.95% by Hua Zhi Investment Limited, which is in turn owned as to 56.21% by Mr. Li Gang, 29.95% by Mr. Wang Shengkun, 11.98% by Ms. Lu Qing and 1.86% by Mr. Feng Dafu; (ii) 41.79% by Pu Shi International Investment Limited, which is ultimately and beneficially held by Mr. Su Shaowen; (iii) 1.79% by Mr. Soh Kai Jun; and (iv) 0.47% by Ms. Xia Liping.

Longma International is a company with limited liability incorporated in Hong Kong principally engaged in investment holding, which holds 34% equity interest of Longma International Consulting Limited, a company principally engaged in the provision of company secretarial service, as its only investment. Longma International is owned as to 66.67% by WIFHL and 33.33% by Mr. Li Gang.

Mr. Tang is the son of Mr. Li Gang, the Chairman and executive Director of the Company.

WIFL is a company with limited liability incorporated in Hong Kong principally engaged in money lending business and is a wholly-owned subsidiary of Wonderland Capital International Holdings Limited, which is beneficially owned as to (i) 33.33% by Wonderland Group Investment Holdings Corporation, which is in turn equally held by Mr. Jiang Peixing and Mr. Liu Shao Kang; (ii) 19.05% by China Minghua Holdings Limited which is wholly owned by Mr. Zhang Xiaoming; (iii) 19.05% by Mr. Yan Qiang; (iv) 19.05% by Mr. Shi Jiaqi; and (v) 9.52% by Mr. Li Xiaolei. Mr. Jiang Senlin, the executive Director of the Company, is one of the directors of WIFL.

Mr. Pan is an executive Director and a Shareholder holding 33,112,281 Shares representing approximately 6.11% of the issued shares of the Company as at the Latest Practicable Date.

Able Plus is a company with limited liability incorporated in Hong Kong principally engaged in trading of non-ferrous metal products, which is owned as to 40% by Mr. Pan and 60% by Ms. Ma Hiu Ngai, the spouse of Mr. Pan.

## LETTER FROM THE BOARD

WIIHL, the single largest shareholder of the Company as at the Latest Practicable Date, is owned as to (i) 58.44% by Hua Zhi Investment Limited, which is the intermediate holding company of WIFHL and Longma International and Mr. Li Gang is the ultimate beneficial owner as detailed above; (ii) 18.38% by Pu Shi International Investment Limited, which holds 41.79% shareholding interest in Wonderland International Financial Holdings Company as detailed above; (iii) 13.18% by Wonderland Capital International Holdings Limited, which is the immediate holding company of WIFL as detailed above; and (iv) 10.00% by Able Plus Investment (Holdings) Limited, which is wholly-owned by Mr. Pan.

Mr. Zhou is a Shareholder holding 14,071,460 Shares representing approximately 2.59% of the issued shares of the Company as at the Latest Practicable Date. Mr. Zhou is not connected with (i) any of the other Creditors, their respective shareholders and ultimate beneficial owners; and (ii) WIFHL and parties acting in concert with it.

### **Takeovers Code implications and application for Whitewash Waiver**

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the Capitalisation Shares to be allotted and issued represent (i) approximately 165.38% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 62.32% of the issued share capital of the Company as enlarged by the issued of the Capitalisation Shares.

As at the Latest Practicable Date, (i) WIFHL does not hold any Shares; and (ii) parties acting in concert with WIFHL (i.e. WIIHL and Mr. Pan) hold an aggregate of 145,902,047 Shares, representing approximately 26.90% existing issued share capital of the Company as at the Latest Practicable Date.

Assuming there will be no change in the number of issued Shares from the Latest Practicable Date up to the Completion, upon Completion, (i) the shareholding of WIFHL in the Company will increase from nil to approximately 39.10%; and (ii) the shareholding of WIFHL and its concert parties in the Company will increase from approximately 26.90% to 70.48%. WIFHL will, therefore, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted.

In light of the above, WIFHL had made an application to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Capitalisation Shares.

The Executive has agreed, subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Debt Capitalisation.

The Executive may or may not grant the Whitewash Waiver. The Debt Capitalisation will not proceed if the Whitewash Waiver is not granted or approved.

## LETTER FROM THE BOARD

Upon the Completion, the maximum potential aggregate holding of voting rights of the WIFHL and its concert parties in the Company will exceed 50% of the voting rights of the Company, and WIFHL and its respective concert parties may increase their shareholding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer thereafter.

None of WIFHL and parties acting in concert with it had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing on the date falling six months prior to the Latest Practicable Date and ending on the Latest Practicable Date.

### Reasons for and benefits of the Debt Capitalisation

As disclosed in the annual report of the Company for the year ended 31 December 2022, as (i) the Group incurred substantial loss for the year ended 31 December 2022; (ii) the Group recorded net current liabilities of approximately HK\$166.6 million and net liabilities of approximately HK\$40.2 million as at 31 December 2022; and (iii) the Group's bank and cash balances is insufficient to cover the current liabilities as at 31 December 2022, the auditors of the Company had given an emphasis of matter in relation to the material uncertainty related to going concern of the Company.

As further disclosed in the 2023 Annual Results, the Company has a net current liabilities and net liabilities of approximately HK\$154.1 million and HK\$63.9 million, respectively as at 31 December 2023. Coupled with the recent cautious investment sentiment and the prevailing high interest rate in the debt market, the Company had difficulties in seeking debt or equity financing to finance its business development.

As at 31 December 2023, other than accounts payable and other payables arising from the ordinary business operation, the Company had a total indebtedness of approximately HK\$268.4 million, which mainly consisted of:

- (i) secured borrowings and accrued interest of approximately HK\$218.2 million with Lender B (as defined below), which was secured by the investment properties of the Group with a carrying amount of approximately HK\$94.1 million as at 31 December 2023.

On 16 January and 27 March 2019, two wholly-owned subsidiaries of the Group (the “**Yingkou Subsidiaries**”) entered into certain loan agreements (the “**Original Loan Agreements**”) with a bank in the PRC (the “**Bank**”), pursuant to which the Bank shall provide loans with an aggregate principal of RMB162.0 million (the “**Original Loan**”) to the Yingkou Subsidiaries which carry interest rate ranging from 9.0045% to 9.5265% per annum and was secured by the investment properties held by the Yingkou Subsidiaries (the “**Yingkou Properties**”). The respective Original Loan and the respective accrued interests became overdue on 21 December 2019 and 21 January 2020 respectively.

## LETTER FROM THE BOARD

On 3 March 2020, the Bank assigned its entire rights over the Original Loan to Shenyang Jiayin Investment Management Co., Ltd. (瀋陽嘉銀投資管理有限公司) (the “**Lender A**”), an independent third party, at an aggregate consideration of approximately RMB166.6 million (the “**Lender A Receivables**”). On 18 August 2020, Lender A assigned its entire rights over the Lender A Receivables to Huaxin Technology (Yingkou) Co., Ltd. (華鑫科技(營口)有限公司) (the “**Lender B**”), an independent third party, at an aggregate consideration of approximately RMB176.8 million.

On 31 August 2020, the Yingkou Subsidiaries entered into two agreements with Lender B (the “**Extended Loan Agreements**”), pursuant to which (i) the balance of the Original Loan and accrued interest as at 18 August 2020 shall amount to approximately RMB176.8 million, which the Lender B is entitled to the rights of such receivable from the Yingkou Subsidiaries; (ii) the Lender B shall extend the repayment date of such RMB176.8 million (the “**Extended Loan**”) by the Yingkou Subsidiaries to 17 August 2023, and the Extended Loan shall carry an interest rate of 5%.

As the Group did not repay the Extended Loan and respective accrued interest pursuant to the Extended Loan Agreements, the Extended Loan and the respective accrued interest became overdue on 17 August 2023. As at 31 December 2023, the balance of the Extended Loan and accrued interest amounted to approximately HK\$218.2 million.

As further disclosed in the section headed “9 MATERIAL LITIGATION” in Appendix III to this circular, the Lender A had pledged its rights to the Lender A Receivables to the Bank and there was a dispute between the Bank and Lender A. The Bank had filed a claim against the Lender A and the Yingkou Subsidiaries and other defendants for the repayment of outstanding loans and interest due to default in certain loan agreements between the Bank and Lender A. Based on the latest civil judgement received by the Group, the Bank or the relevant court in the PRC may have the right to dispose the Yingkou Properties by way of auction or sale. It is expected that, upon the conclusion of the litigation between the Bank and the Lender A or the disposal of the Yingkou Properties in accordance to the judgement by the relevant court in the PRC, the Group may be released from its obligation under the Extended Loan Agreements. Please refer to the section headed “9 Material Litigation” in Appendix III to this circular for further details;

- (ii) unsecured borrowings and accrued interests of approximately HK\$5.4 million which is repayable in 2026. It is intended that the Group will settle such borrowings and accrued interest with its internal resources in 2026; and
- (iii) the unsecured Loans with the Indebted Amount of HK\$44.8 million which is overdue as at the Latest Practicable Date.

## LETTER FROM THE BOARD

On top of the above indebtedness, the Company had other payables of approximately HK\$48.6 million as at 31 December 2023, which mainly represented other payables recorded by the Yingkou Subsidiaries, including an aggregate amount of approximately HK\$32.5 million due to Lender B and its related companies.

During the year ended 31 December 2023, the Company is exploring with Lender B and local government in the PRC, to settle such other payables together with the Extended Loan by way of disposal of the Yingkou Subsidiaries to Lender B or its group companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lender A and Lender B are not a Shareholder. As at 31 December 2023, the assets of Yingkou Subsidiaries principally consisted of investment properties and consideration receivables with carrying amount of approximately HK\$94.1 million and HK\$130.4 million respectively, and the liabilities of the Yingkou Subsidiaries principally consisted of secured borrowings and accrued interests and other payables of approximately HK\$218.2 million and HK\$46.8 million respectively. It is expected that the settlement arrangement, if materialises, may be finalised by 2024.

Based on the above, the Company considers, in the event the disposal of the Yingkou Subsidiaries materialises, it merely represented a disposal of the Group's assets under the Yingkou Subsidiaries for the settlement of the Extended Loan and the other payables mentioned above, which may resolve the respective qualification on the consolidated financial statements issued by the auditor of the Company, ZHONGHUI ANDA CPA Limited. In addition, the counterparty of the disposal, if materialised, would only be decided based on the results of the discussion with the local government in the PRC. As such, the Company considers there is no Rule 25 implications in the event the disposal of the Yingkou Subsidiaries materialises. The Company will comply with the requirement of the Takeovers Code in the event the disposal materialises and have any Takeovers Code implications.

As at the Latest Practicable Date, no agreements have been entered in relation to the disposal of the Yingkou Subsidiaries or relevant assets. In the event any settlement arrangement materialises, the Company will comply with the Listing Rules and Takeovers Code accordingly.

Save for the above, the remaining liabilities of the Group principally represented trade payables and accrued expenses incurred in the ordinary business and operation of the Group. As such, in the event (i) the Debt Capitalisation completes; and (ii) the settlement of the Extended Loan and other payables materialise as detailed above, save for the unsecured borrowings and accrued interests of approximately HK\$5.4 million which is repayable in 2026, the Group will be free of debt and the remaining liabilities of the Group would principally be trade payables and accrued expense incurred in the ordinary business and operation of the Group.

## LETTER FROM THE BOARD

### *The Indebted Amount and the Debt Capitalisation*

During the suspension of the trading of the Shares from 15 September 2021 to 5 May 2023, WIIHL and Mr. Pan, as the single largest shareholder and second largest shareholder of the Company, have continued to provide financial support to the Company for business development and daily operation of the Group, through themselves and/or their associates by way of the Loans.

The Debt Capitalisation offers the Group with a valuable chance of reaching a full settlement of its outstanding debt without utilizing existing financial resources of the Company and exerting pressure on the cashflow position of the Group.

### *Alternative financing methods considered by the Company*

The Company has considered various alternatives in view of settling the Indebted Amount, including but not limited to debt refinancing and various means of equity issuance. Among the possible alternatives available to the Company, the Company considers that the Debt Capitalisation is an appropriate and cost-effective method to the Company. For debt financing, having considered the lack of security for arranging any possible debt financing, the Directors considered the Group is not in a feasible position to obtain further debt financing from financial institutions for settlement of the Indebted Amount. In this regard, the Company had approached its principal banks in exploring to obtain a loan for the settlement of the Indebted Amount and the banks did not respond positively given the Group's circumstances. In addition, the prevailing high interest rate in the debt market will also increase the interest burden of the Group. Comparing to debt financing, the Debt Capitalisation would allow the Company in avoiding further finance cost.

In respect of equity fund raising, given the relatively substantial amount of the Indebted Amount, the recent weak sentiment of the stock market and uncertain economic environment, it is difficult to procure an underwriter or a placing agent for rights issue or open offer or a placing agent for share placement which is able to raise sufficient funding for the settlement of the Indebted Amount.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect on the shareholding interest of the existing Shareholders, having considered (i) the capitalisation of the Indebted Amount can discharge the settlement obligations of the Loans; and (ii) the Capitalisation Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will enlarge the capital base, and accordingly, strengthen the financial position of the Group.

The Company also considered other equity issuance methods, such as rights issue, open offer and placing new shares to independent third parties. However, (i) given the recent unfavorable market sentiment, the Company had difficulties in sourcing investors or placing agents for equity investments with terms acceptable to the Company and amounts sufficient in settling the Indebted Amount; and (ii) although both open offer and rights issue would allow the Shareholders to participate in the subscription on new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the

## LETTER FROM THE BOARD

Company, given the thin trading volume of the Shares, the Company would have difficulties in sourcing underwriter with reasonable underwriting fee and subscription price of reasonable discount. The Company had approached a number of placing agents in exploring to conduct equity fundraising activities. However, the Company could not find any placing agents interested in equity fundraising activities of the Company at the moment due to various factors as disclosed above.

As such, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to preserve as much liquidity as possible in order to maintain the Group's financial and liquidity position for its business operation and development.

### *Improvement in the financial position of the Company*

Upon Completion, the Group's net liabilities position is expected to decrease by the Indebted Amount of approximately HK\$44.8 million. For illustrative purpose, based on the Group's consolidated net liabilities of approximately HK\$63.9 million as at 31 December 2023, assuming the Debt Capitalisation and the allotment and issue of the Capitalisation Shares had taken place on 31 December 2023, the total liabilities and net liabilities of the Group will be reduced to approximately HK\$323.7 million and HK\$19.1 million respectively. Accordingly, the net gearing ratio (being net debt divided by total capital, where net debt is calculated as the sum of other borrowings, shareholders' loan, loans from fellow subsidiaries and loan from related parties, less cash and bank balances) shall be decreased from approximately 141.6% to approximately 109.6% as at 31 December 2023.

In view of the above, the Directors (other than (i) those on the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee of this circular; and (ii) Mr. Li Gang, Mr. Pan and Mr. Jiang Senlin who have material interest in the Debt Capitalisation contemplated under the Settlement Agreement) consider that the terms of the Settlement Agreement and the Debt Capitalisation are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **INTENTIONS REGARDING THE GROUP**

Upon Completion, WIFHL and parties in concert with it will hold 1,014,494,603 Shares, representing approximately 70.48% of the issued share capital of the Company as enlarged by the issue of the Capitalisation Shares.

WIFHL considers and confirms that (a) it is intended that the Group will continue its existing business following the Completion; and (b) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees, and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

However, given (i) certain litigation initiated by a bank in the PRC against the counterparty of certain borrowings of the Group as further disclosed under the section headed "9. Material Litigation" in Appendix III to this circular; (ii) the auditor of the Company, ZHONGHUI ANDA CPA Limited, has issued qualified opinion on the provision for repayment

## LETTER FROM THE BOARD

obligations in relation to the Extended Loan on the consolidated financial statements of the Company for the years ended 31 December 2022 and 2023 as a result of the aforementioned litigation; and (iii) the auditor of the Company had issued qualified opinion on certain consideration receivables recorded by Yingkou Subsidiaries, WIFHL may procure the Company to consider to dispose the Yingkou Subsidiaries based on the settlement plan as detailed in the section headed “Reasons and benefits of the Debt Capitalisation” in view of settlement of any repayment obligations and resolving the qualified opinion on the consolidated financial statements of the Company.

As at the Latest Practicable Date, no agreements have been entered in relation to the disposal of the Yingkou Subsidiaries or relevant assets. In the event any settlement arrangement materialise, the Company will comply with the Listing Rules and Takeovers Code accordingly.

### **Dealing and interest in the Company’s securities**

Save for the Capitalisation Shares to be allotted and issued by the Company to the Creditors, WIFHL and parties acting in concert with it had not dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period immediately prior to the Latest Practicable Date and up to and including the Latest Practicable Date.

As at the Latest Practicable Date:

- (i) save as disclosed in the section headed “Effect on Shareholding Structure of the Company” in this circular, WIFHL and the parties acting in concert with it do not own, hold, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (ii) there is no outstanding derivative in respect of the securities in the Company which has been entered into by WIFHL or any person acting in concert with it;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of WIFHL and parties acting in concert it or the Shares and which might be material to the transactions contemplated under the Settlement Agreement and/or the Whitewash Waiver;
- (iv) there is no irrevocable commitment received by WIFHL and parties acting in concert with it to vote for or against the Settlement Agreement and/or the Whitewash Waiver;
- (v) there is no agreement or arrangement to which the WIFHL or any person acting in concert with it, is a party which relates to circumstances in which the WIFHL may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Settlement Agreement and/or the Whitewash Waiver;

## LETTER FROM THE BOARD

- (vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which WIFHL or parties acting in concert with it has borrowed or lent;
- (vii) there is no consideration, compensation or benefits in whatever form provided or to be provided by WIFHL or parties acting in concert with it to the Company and parties acting in concert with any of it;
- (viii) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between WIFHL or any parties acting in concert with it on the one hand, and the Company and any parties acting in concert with any of it on the other hand;
- (ix) there is no understanding, arrangement, agreement which constitute special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) WIFHL and any party acting in concert with it; or (b) the Company, its subsidiaries and associated companies; and
- (x) there is no agreement, arrangement or understanding that the Capitalisation Shares to be acquired by the Creditors will be transferred, charged or pledged to any other persons.

### **(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The existing authorised share capital of the Company is HK\$50,000,000 divided into 1,000,000,000 Shares of HK\$0.05 each. As at the Latest Practicable Date, 542,392,207 Shares are in issue and 457,607,793 Shares are authorised but unissued.

In order to (i) facilitate the completion of the Debt Capitalisation; and (ii) accommodate the growth of the Group and provide the Company with greater flexibility to raise funds in the future, the Board proposes to increase the authorised share capital of the Company from HK\$50,000,000 divided into 1,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each by creating an additional 9,000,000,000 Shares. Such new Shares, upon issue, shall rank *pari passu* in all aspects with the existing Shares. The Board believes the Proposed Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

The Proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

	<b>As at</b>		<b>Immediately after the</b>	
	<b>the Latest Practicable Date</b>		<b>Completion and issue of the</b>	
	<b>Capitalisation Shares (assuming</b>		<b>no change to the number of</b>	
	<i>Number of</i>	<i>Approximate %</i>	<i>Number of</i>	<i>Approximate %</i>
	<i>Shares</i>	<i>of issued Shares</i>	<i>Shares</i>	<i>of issued Shares</i>
			<b>issued Shares from the Latest</b>	<b>Practicable Date up to the date</b>
			<b>of the Completion)</b>	
WIIHL ( <i>Note 1</i> )	112,789,766	20.79%	112,789,766	7.84%
Mr. Pan	33,112,281	6.11%	261,384,626	18.16%
WIFHL ( <i>Note 2</i> )	—	—	562,770,380	39.10%
WIFL ( <i>Note 3</i> )	—	—	28,530,160	1.98%
Longma International ( <i>Note 2</i> )	—	—	28,549,180	1.98%
Mr. Tang ( <i>Note 4</i> )	—	—	<u>20,470,491</u>	<u>1.42%</u>
WIFHL and parties acting in concert with it ( <i>Note 5</i> )	<u>145,902,047</u>	<u>26.90%</u>	<u>1,014,494,603</u>	<u>70.48%</u>
Mr. Zhou	14,071,460	2.59%	42,472,440	2.95%
Other Shareholders	<u>382,418,700</u>	<u>70.51%</u>	<u>382,418,700</u>	<u>26.57%</u>
<b>Total</b>	<u><u>542,392,207</u></u>	<u><u>100.00%</u></u>	<u><u>1,439,385,743</u></u>	<u><u>100.00%</u></u>

*Notes:*

- (1) WIIHL is owned as to (i) 58.44% by Hua Zhi Investment Limited, which is in turn owned as to 56.21% by Mr. Li Gang, 29.95% by Mr. Wang Shengkun, 11.98% by Ms. Lu Qing and 1.86% by Mr. Feng Dafu; (ii) 18.38% by Pu Shi International Investment Limited, which holds 41.79% shareholding interest in Wonderland International Financial Holdings Company as detailed above; (iii) 13.18% by Wonderland Capital International Holdings Limited, which is the immediate holding company of WIFL as detailed above; and (iv) 10.00% by Able Plus Investment (Holdings) Limited, which is wholly-owned by Mr. Pan.
- (2) The ultimate beneficial owner of WIFHL and Longma International is Mr. Li Gang, who is the ultimate beneficial owner of WIIHL, the single largest shareholder of the Company as at the Latest Practicable Date.
- (3) WIFL is a wholly-owned subsidiary of Wonderland Capital International Holdings Limited, which holds approximately 13.18% shareholding interest in WIIHL, the single largest shareholder of the Company as at the Latest Practicable Date.
- (4) Mr. Tang is the son of Mr. Li Gang, who is the ultimate beneficial owner of WIIHL, the single largest shareholder of the Company as at the Latest Practicable Date.

## LETTER FROM THE BOARD

- (5) The ultimate beneficial owner of WIIHL and WIFHL is Mr. Li Gang. Given (i) WIFHL and WIFL were group companies in the past before 2023; (ii) Mr. Pan, through a corporation controlled by him, holds 10.00% interest in WIIHL; (iii) Longma International is a subsidiary of WIFHL; and (iv) Mr. Tang is the son of Li Gang, accordingly, WIIHL, WIFHL, WIFL, Longma International, Mr. Pan and Mr. Tang consider they are acting in concert.
- (6) Save for Mr. Li Gang (through corporations controlled by him as disclosed in this circular) and Mr. Pan, no directors of the Company holds Shares as at the Latest Practicable Date.

### FUND RAISING EXERCISES IN THE PAST 12 MONTHS

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

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, WIIHL is the single largest shareholder of the Company, holding 112,789,766 Shares of the Company, representing approximately 20.79% of the issued share capital of the Company.

The ultimate beneficial owner of WIIHL is Mr. Li Gang, the Chairman and executive Director of the Company. The ultimate beneficial owner of WIFHL and Longma International is Mr. Li Gang, whereby Mr. Tang is the son of Mr. Li Gang.

Mr. Pan is an executive Director of the Company holding 33,112,281 Shares, representing approximately 6.11% of the issued share capital of the Company as at the Latest Practicable Date. Able Plus is wholly owned by Mr. Pan and his spouse.

Accordingly, WIFHL, Longma International, Mr. Tang, Mr. Pan and Able Plus are connected persons of the Company.

As such, the Debt Capitalisation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholder's approval requirements pursuant to Chapter 14A of the Listing Rules.

Save for WIIHL, Mr. Pan and Mr. Zhou, none of the Shareholders is required to abstain from voting in respect of the ordinary and special resolutions approving the Debt Capitalisation contemplated under the Settlement Agreement under the Listing Rules and the Whitewash Waiver under the Takeovers Code respectively.

The resolution approving the Settlement Agreement with respect to the Debt Capitalisation was approved at a Board meeting of the Company. Mr. Li Gang (as the ultimate beneficial owner of the WIFHL and Longma International, being part of the Creditors), Mr. Pan (as one of the Creditor), Mr. Jiang Senlin (as a director of WIFL, being one of the Creditor) have abstained from voting at the Board meeting relating to approval of the Settlement Agreement.

## **LETTER FROM THE BOARD**

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

### **EGM**

The EGM will be convened and held at 20/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 2 May 2024 at 3:00 p.m. for the purpose of considering and, if thought fit, approving (i) the Settlement Agreement and the transactions contemplated thereunder and the specific mandate; (ii) the Whitewash Waiver; and (iii) the Proposed Increase in Authorised Share Capital.

### **VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **FORM OF PROXY**

A form of proxy for use at the EGM is enclosed with this circular. Whether or not Shareholders are able to attend the EGM in person, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Tengis 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 holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 26 April 2024 to Thursday, 2 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 April 2024.

### **RECOMMENDATION**

The Board considers that the proposed resolutions in relation to the Proposed Increase in Authorised Share Capital to be put forward at the EGM is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to the Proposed Increase in Authorised Share Capital.

## LETTER FROM THE BOARD

In addition, the Directors (other than (i) those on the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee of this circular; and (ii) Mr. Li Gang, Mr. Pan and Mr. Jiang Senlin who have material interest in the Debt Capitalisation contemplated under the Settlement Agreement) consider that the terms of the Settlement Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### WARNING

**Shareholders should take note that the Completion of the Debt Capitalisation is conditional upon satisfaction of conditions precedents set out in this circular. The Whitewash Waiver is subject to the approval of the Executive and the Independent Shareholders at the EGM. The Executive and the Independent Shareholders may or may not approve the Whitewash Waiver. The Debt Capitalisation may or may not be completed depending on whether the Whitewash Waiver is approved. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the qualified opinion expressed by the independent auditors of the Company on the consolidated financial statements of the Company for the year ended 31 December 2023, details of which are set out in Appendix I to this circular, and the latest status of certain material litigation of the Company as set out under the section headed “9. Material Litigation” in Appendix III to this circular, which may have an impact to the financial results of the Company in the event the investment properties held by the Group with carrying amount of approximately HK\$94.1 million as at 31 December 2023 are to be disposed in accordance to the instruction of the court in the PRC. The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Debt Capitalisation and the Whitewash Waiver.

Yours faithfully  
By order of the Board  
**Enviro Energy International Holdings Limited**  
**Li Gang**  
*Chairman and Executive Director*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Circular.*



**Enviro Energy International Holdings Limited**

**環能國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1102)**

8 April 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION  
IN RELATION TO ISSUE OF NEW SHARES UNDER  
SPECIFIC MANDATE FOR DEBT CAPITALISATION  
AND APPLICATION FOR WHITEWASH WAIVER;  
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 8 April 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you in relation to the Settlement Agreement, the Whitewash Waiver and the transactions contemplated thereunder, details of which are set out in this circular. Grand Moore Capital has been appointed as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out in the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Settlement Agreement, the Whitewash Waiver and the transactions contemplated thereunder and taking into account the independent advice of Grand Moore Capital, we are of the opinion that the Settlement Agreement, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Settlement Agreement, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,  
The Independent Board Committee  
**Mr. Zhong Jian**  
**Mr. Pan Yongye**  
*Independent non-executive Directors*

**Mr. Liu Qin**

## LETTER FROM GRAND MOORE CAPITAL

*The following is the full text of the letter of advice from Grand Moore Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Debt Capitalisation and the relevant specific mandate, and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*



中毅資本有限公司  
Grand Moore Capital Limited

Unit 1401, 14/F, Lippo Sun Plaza, 28 Canton Road  
Tsim Sha Tsui, Kowloon, Hong Kong

8 April 2024

*To the Independent Board Committee and  
the Independent Shareholders of  
Enviro Energy International Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION AND APPLICATION FOR WHITEWASH WAIVER**

#### **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 Debt Capitalisation and the relevant specific mandate, and the Whitewash Waiver (the “**Transactions**”), the details of which are set forth in the “Letter from the Board” (the “**Board Letter**”) contained in the circular (the “**Circular**”) issued by the Company to the Shareholders dated 8 April 2024, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Board Letter, on 25 January 2024 (after trading hours), the Company entered into the Settlement Agreement with the Creditors, pursuant to which the Company has conditionally agreed to capitalise the Indebted Amount owed to the Creditors by the Company, the Creditors have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 896,993,536 Capitalisation Shares at the Issue Price of HK\$0.05 per Capitalisation Share under a specific mandate.

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the Capitalisation Shares to be allotted and issued represent (i) approximately 165.38% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 62.32% of the issued share capital of the Company as enlarged by the issued of the Capitalisation Shares.

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As at the Latest Practicable Date, (i) WIFHL does not hold any Shares; and (ii) parties acting in concert with WIFHL (i.e. WIIHL and Mr. Pan) hold an aggregate of 145,902,047 Shares, representing approximately 26.90% existing issued share capital of the Company as at the Latest Practicable Date.

Assuming there will be no change in the number of issued Shares from the Latest Practicable Date up to the Completion, upon Completion, (i) the shareholding of WIFHL in the Company will increase from nil to approximately 39.10%; and (ii) the shareholding of WIFHL and its concert parties in the Company will increase from approximately 26.90% to 70.48%. WIFHL will, therefore, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted.

In light of the above, WIFHL had made an application to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Capitalisation Shares.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhong Jian, Mr. Pan Yongye and Mr. Liu Qin, has been established to advise the Independent Shareholders in respect of the Transactions. We, Grand Moore Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, WIFHL or any of their respective substantial shareholders (as applicable), ultimate beneficial owner(s), directors or chief executives (as applicable), or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, and we were not in the same group as the financial or other professional adviser (including a stockbroker) to WIFHL and the Group, we do not and did not have, a significant connection, financial or otherwise with either WIFHL or the Group, or the controlling shareholder(s) of either of them (as applicable), of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Accordingly, we are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions in compliance with Rule 2.6 of the Takeovers Code.

In the past two years, we have not acted in any financial adviser role to the Company or WIFHL. Save for the appointment as the Independent Financial Adviser, there was no other relationship and/or engagement between the Company or WIFHL and us in the past two years.

With regards to our independence from the Company or WIFHL, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or

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will receive any fees or benefits from the Company and WIFHL, their subsidiaries or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid or to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules and Rule 2.1 of the Takeovers Code.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); (iii) the 2023 Annual Results; (iv) other information provided by the Directors and/or the senior management of the Company (the "**Management**") and WIFHL (where applicable); (v) the opinions expressed by and the representations of the Directors, the Management and WIFHL (where applicable); and (vi) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Directors, the Management and WIFHL (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and WIFHL (where applicable) in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management and WIFHL (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We 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 not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company and WIFHL (where applicable), nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, or WIFHL or their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Transactions, nor have we considered the taxation implication on the Group or the

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Shareholders as a result of the Transactions. The Company has been separately advised by its own professional advisers with respect to the Transactions and the preparation of the Circular (other than this letter).

We have assumed that the Transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background information and financial overview of the Group

As stated in the Board Letter, the Group is principally engaged in the supply of construction essentials business since 2017, which primarily consisted of two major businesses, namely (1) the supply of building materials business; and (2) the supply of aluminium related products business, which are part of the construction supply chain. Certain summary financial information of the Group as extracted from (a) the 2023 Annual Results for the years ended 31 December 2022 and 2023 (“**FY2022**” and “**FY2023**” respectively); and (b) the 2022 Annual Report for the year ended 31 December 2021 (“**FY2021**”) and FY2022 is set out below:

	<b>For the year ended 31 December</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited as at the Latest Practicable Date)	(audited)	(audited)
Revenue	531,504	269,577	321,844
Gross profit	41,245	16,742	15,918
Loss for the year attributable to owners of the Company	35,750	257,028	357,773

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### *FY2022 vs FY2023*

The Group recorded revenue of approximately HK\$531,504,000 for FY2023, representing an increase of approximately HK\$261,927,000 or 97.2%, as compared to the revenue of approximately HK\$269,577,000 for FY2022. As per the 2023 Annual Results, the increase in revenue is mainly attributable to the revenue contribution from Hangzhou Junheng (as defined below) which became the Group's subsidiary in October 2022.

The Group recorded gross profit of approximately HK\$41,245,000 for FY2023, representing an increase of approximately HK\$24,503,000 or 146.4%, as compared to the gross profit of approximately HK\$16,742,000 for FY2022. As per the 2023 Annual Results, the increase in gross profit is mainly attributable to the aforementioned revenue contribution from Hangzhou Junheng (as defined below) which became the Group's subsidiary in October 2022.

The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$35,750,000 for FY2023, representing a decrease of approximately HK\$211,278,000 or 86.1%, as compared to a loss for the year attributable to owners of the Company of approximately HK\$257,028,000 for FY2022. Such decrease in loss for the year attributable to owners of the Company was mainly attributable to the increase in operating profit by virtue of the abovementioned recognition of revenue and gross profit of the Company during FY2023, which was absent during FY2022. Nevertheless, the Group was unable to turnaround from the loss for the period attributable to owners of the Company for FY2023, which is mainly due to the recognition of the fair value loss on investment properties of approximately HK\$28,943,000.

### *FY2021 vs FY2022*

The Group recorded revenue of approximately HK\$269,577,000 for FY2022, representing a decrease of approximately HK\$52,267,000 or 16.2%, as compared to the revenue of approximately HK\$321,844,000 for FY2021. As per the 2022 Annual Report, the Group experienced a temporary downturn of its principal business in 2022 as a result of a number of force majeure factors causing the abnormal and significant price fluctuation in aluminium related products, including but not limited to COVID-19 precaution measures in the PRC, outbreak of the Russian Ukrainian War and surge in international freight and shipping costs. In view of the above price instability in the aluminium price and to safeguard the interest of the Company in 2022, the Group had no alternative but temporarily ceased the supply of aluminium and related products to its overseas customers, while exploring for other business opportunities based on its existing supply of building material business networks in the PRC. In October 2022, the Group has jointly established Hangzhou Junheng Building Materials Company Limited (杭州峻衡建材有限公司) (“**Hangzhou Junheng**”) with Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd. (杭州中機建築裝飾工程有限公司) (“**Hangzhou Zhongji**”). Accordingly, Hangzhou

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Junheng become a subsidiary of the Company. Hangzhou Junheng is principally engaged in trading of building materials in the PRC. Hangzhou Zhongji is interested in 40% of the equity interests in Hangzhou Junheng and is a connected person of the Group at a subsidiary level as at the Latest Practicable Date. Hangzhou Zhongji is principally engaged in the provision of construction and renovation services in the PRC. Leveraging on the construction and renovation services provided by Hangzhou Zhongji, the Group benefited from the introduction of customers for downstream expansion, and the financial result of the Group substantially improved since then.

The Group recorded gross profit of approximately HK\$16,742,000 for FY2022, representing an increase of approximately HK\$824,000 or 5.2%, as compared to the gross profit of approximately HK\$15,918,000 for FY2021. As per the 2022 Annual Report, the increase in gross profit is mainly attributable to the higher gross profit margin for sales of aluminium related products and scrap copper to overseas customers since early 2021 for the purpose of expanding the Group's client portfolio.

The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$257,028,000 for FY2022, representing a decrease of approximately HK\$100,745,000 or 28.2%, as compared to a loss for the year attributable to owners of the Company of approximately HK\$357,773,000 for FY2021. Such decrease in loss for the year attributable to owners of the Company was mainly attributable to the combined effects of (i) the decrease in net impairment loss on the trade receivables and prepayments of approximately HK\$339,806,000 or 99.8%; and (ii) the Group recorded an impairment loss on loan and interest receivables of approximately HK\$215,290,000 for FY2022, which was absent during FY2021.

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The table below illustrates certain key consolidated financial information of the Group as extracted from the consolidated statement of financial position set out in the 2023 Annual Results:

	<b>As at 31 December 2023</b> <i>HK\$'000</i> (unaudited as at the Latest Practicable Date)	<b>As at 31 December 2022</b> <i>HK\$'000</i>  (audited)
Bank and cash balances	28,027	8,143
Current assets	210,465	267,668
Net current liabilities	154,074	166,628
Total assets	304,604	394,125
Current liabilities	364,539	434,296
Total liabilities	368,488	434,296
Total deficit	63,884	40,171
Deficit attributable to owners of the Company	79,680	44,679

The Group's bank and cash balances amounted to approximately HK\$28,027,000 as at 31 December 2023, representing an increase of approximately HK\$19,884,000 or 244.2%, as compared to that of approximately HK\$8,143,000 as at 31 December 2022. The increase in bank and cash balances is mainly attributable to (i) the relatively swift repayment of trade receivables by trade debtors as evidenced by the decrease in trade receivables from approximately HK\$100,731,000 as at 31 December 2022 to approximately HK\$28,331,000 as at 31 December 2023, representing a decrease of approximately HK\$72,400,000 or 71.9%; and (ii) the abovementioned increase in revenue during FY2023. In any event, it is noted that the aforementioned bank and cash balances as at 31 December 2023 are insufficient to fully settle the Indebted Amount. The Group recorded net current liabilities of approximately HK\$154,074,000 as at 31 December 2023, representing a decrease of approximately HK\$12,554,000 or 7.5%, as compared to that of approximately HK\$166,628,000 as at 31 December 2022. Such decrease was mainly attributable to the combined effects from a decrease in current assets of approximately HK\$57,203,000 or 21.4% and a decrease in current liabilities of approximately HK\$69,757,000 or 16.1% as at 31 December 2023, as compared to that of 31 December 2022. We note from the 2023 Annual Results that the decrease in current

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assets is mainly attributable to the combined effects of the aforementioned decrease in trade receivables and the increase in bank and cash balances. Meanwhile, the decrease in current liabilities is mainly due to the decrease in trade and other payables. The deterioration in liquidity and solvency gives rise to a slight decrease in current ratio from approximately 0.62 times as at 31 December 2022 to approximately 0.58 times as at 31 December 2023.

The Group did not record any non-current liabilities as at 31 December 2022, but recorded a non-current liability of approximately HK\$3,949,000 as at 31 December 2023, which is entirely attributable to the non-current portion of other borrowings. The Group's total liabilities amounted to approximately HK\$368,488,000 as at 31 December 2023, representing a decrease of approximately HK\$65,808,000 or 15.2%, as compared to that of approximately HK\$434,296,000 as at 31 December 2022, the decrease in total liabilities is mainly attributable to the aforementioned factors related to the decrease in current liabilities. As at 31 December 2023, the Group recorded a total debt of approximately HK\$245,498,000, of which the (i) current and non-current portions of other borrowings amounted to approximately HK\$200,631,000; (ii) loans from fellow subsidiaries amounted to approximately HK\$29,570,000; (iii) shareholders' loans amounted to approximately HK\$11,410,000; and (iv) loans from related parties amounted to approximately HK\$3,887,000.

The Group recorded a gearing ratio of approximately 141.6% as at 31 December 2023. The gearing ratio is calculated as net debt divided by total capital. The Group recorded a net debt of approximately HK\$217,471,000 as at 31 December 2023. Net debt is calculated as the difference of the aforementioned total debt and bank and cash balances of the Group of approximately HK\$245,498,000 and approximately HK\$28,027,000 as at 31 December 2023, respectively. The Group recorded a total capital of approximately HK\$153,588,000 as at 31 December 2023. Total capital is calculated as the difference of the aforementioned net debt and total deficit of the Group of approximately HK\$217,471,000 and approximately HK\$63,884,000 as at 31 December 2023, respectively, being approximately HK\$153,587,000.

The Group recorded a deficit attributable to owners of the Company of approximately HK\$79,680,000 as at 31 December 2023, which represents an increase of approximately HK\$35,001,000 or 78.3%, from a deficit attributable to owners of the Company of approximately HK\$44,679,000 as at 31 December 2022. Such increase was mainly attributable to the loss for the year attributable to owners of the Company during FY2023.

### **2. Reasons for and benefits of the Debt Capitalisation**

It is stated in the Board Letter that as disclosed in the 2022 Annual Report, as (i) the Group incurred substantial loss for FY2022; (ii) the Group recorded net current liabilities of approximately HK\$166.6 million and net liabilities of approximately HK\$40.2 million as at 31 December 2022; and (iii) the Group's bank and cash balances is insufficient to

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cover the current liabilities as at 31 December 2022, the auditors of the Company had given an emphasis of matter in relation to the material uncertainty related to going concern of the Company.

As further disclosed in the 2023 Annual Results, the Company has a net current liabilities and net liabilities of approximately HK\$154.1 million and HK\$63.9 million, respectively, as at 31 December 2023. Coupled with the recent cautious investment sentiment and the prevailing high interest rate in the debt market, the Company had difficulties in seeking debt or equity financing to finance its business development.

As at 31 December 2023, other than accounts payable and other payables arising from the ordinary business operation, the Company had a total indebtedness of approximately HK\$268.4 million, which mainly consisted of:

- (i) secured borrowings and accrued interest of approximately HK\$218.2 million with Lender B, which was secured by the investment properties of the Group with a carrying amount of approximately HK\$94.1 million as at 31 December 2023.

On 16 January and 27 March 2019, the Yingkou Subsidiaries entered into the Original Loan Agreements with the Bank, pursuant to which the Bank shall provide loans with an aggregate principal of RMB162.0 million (the “**Original Loan**”) to the Yingkou Subsidiaries which carry interest rate ranging from 9.0045% to 9.5265% per annum and was secured by the Yingkou Properties. The respective Original Loan and the respective accrued interests became overdue on 21 December 2019 and 21 January 2020 respectively.

On 3 March 2020, the Bank assigned its entire rights over the Original Loan to the Lender A, an independent third party, at an aggregate consideration of approximately RMB166.6 million (the “**Lender A Receivables**”). On 18 August 2020, Lender A assigned its entire rights over the Lender A Receivables to the Lender B, an independent third party, at an aggregate consideration of approximately RMB176.8 million.

On 31 August 2020, the Yingkou Subsidiaries entered into the Extended Loan Agreements, pursuant to which (i) the balance of the Original Loan and accrued interest as at 18 August 2020 shall amount to approximately RMB176.8 million, which the Lender B is entitled to the rights of such receivable from the Yingkou Subsidiaries; (ii) the Lender B shall extend the repayment date of such RMB176.8 million (the “**Extended Loan**”) by the Yingkou Subsidiaries to 17 August 2023, and the Extended Loan shall carry an interest rate of 5%.

As the Group did not repay the Extended Loan and respective accrued interest pursuant to the Extended Loan Agreements, the Extended Loan and the respective accrued interest became overdue on 17 August 2023. As at 31 December 2023, the balance of the Extended Loan and accrued interest amounted to approximately HK\$218.2 million.

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As further disclosed in the section headed “9 MATERIAL LITIGATION” in Appendix III to the Circular, the Lender A had pledged its rights to the Lender A Receivables to the Bank and there was a dispute between the Bank and Lender A. The Bank had filed a claim against the Lender A and the Yingkou Subsidiaries and other defendants for the repayment of outstanding loans and interest due to default in certain loan agreements between the Bank and Lender A. Based on the latest civil judgement received by the Group, the Bank or the relevant court in the PRC may have the right to dispose the Yingkou Properties by way of auction or sale. It is expected that, upon the conclusion of the litigation between the Bank and the Lender A or the disposal of the Yingkou Properties in accordance to the judgement by the relevant court in the PRC, the Group may be released from its obligation under the Extended Loan Agreements. Please refer to the section headed “9 Material Litigation” in Appendix III to the Circular for further details;

- (ii) unsecured borrowings and accrued interests of approximately HK\$5.4 million which is repayable in 2026. It is intended that the Group will settle such borrowings and accrued interest with its internal resources in 2026; and
- (iii) the unsecured Loans with the Indebted Amount of HK\$44.8 million which is overdue as at the Latest Practicable Date.

On top of the above indebtedness, the Company had other payables of approximately HK\$48.6 million as at 31 December 2023, which mainly represented other payables recorded by the Yingkou Subsidiaries, including an aggregate amount of approximately HK\$32.5 million due to Lender B and its related companies.

During FY2023, the Company is exploring with Lender B and local government in the PRC, to settle such other payables together with the Extended Loan by way of disposal of the Yingkou Subsidiaries to Lender B or its group companies. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Lender A and Lender B are not a Shareholder. As at 31 December 2023, the assets of Yingkou Subsidiaries principally consisted of investment properties and consideration receivables with carrying amount of approximately HK\$94.1 million and HK\$130.4 million respectively, and the liabilities of the Yingkou Subsidiaries principally consisted of secured borrowings and accrued interests and other payables of approximately HK\$218.2 million and HK\$46.8 million respectively. It is expected that the settlement arrangement, if materialises, may be finalised by 2024.

Based on the above, the Company considers, in the event the disposal of the Yingkou Subsidiaries materialises, it merely represented a disposal of the Group’s assets under the Yingkou Subsidiaries for the settlement of the Extended Loan and the other payables mentioned above, which may resolve the respective qualification on the consolidated financial statements issued by the auditor of the Company, ZHONGHUI ANDA CPA Limited. In addition, the counterparty of the disposal, if materialised, would only be decided based on the results of the discussion with the local government in the PRC. As such, the Company considers there is no Rule 25 implications in the event the disposal of

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the Yingkou Subsidiaries materialises. The Company will comply with the requirement of the Takeovers Code in the event the disposal materialises and have any Takeovers Code implications.

As at the Latest Practicable Date, no agreements have been entered in relation to the disposal of the Yingkou Subsidiaries or relevant assets. In the event any settlement arrangement materialises, the Company will comply with the Listing Rules and Takeovers Code accordingly.

Save for the above, the remaining liabilities of the Group principally represented trade payables and accrued expenses incurred in the ordinary business and operation of the Group. As such, in the event (i) the Debt Capitalisation completes; and (ii) the settlement of the Extended Loan and other payables materialise as detailed above, save for the unsecured borrowings and accrued interests of approximately HK\$5.4 million which is repayable in 2026, the Group will be free of debt and the remaining liabilities of the Group would principally be trade payables and accrued expense incurred in the ordinary business and operation of the Group.

### *The Indebted Amount and the Debt Capitalisation*

During the suspension of the trading of the Shares from 15 September 2021 to 5 May 2023, WIIHL and Mr. Pan, as the single largest shareholder and second largest shareholder of the Company, have continued to provide financial support to the Company for business development and daily operation of the Group, through themselves and/or their associates by way of the Loans.

The Debt Capitalisation offers the Group with a valuable chance of reaching a full settlement of its outstanding debt without utilizing existing financial resources of the Company and exerting pressure on the cashflow position of the Group.

### *Alternative financing methods considered by the Company*

The Company has considered various alternatives in view of settling the Indebted Amount, including but not limited to debt refinancing and various means of equity issuance. Among the possible alternatives available to the Company, the Company considers that the Debt Capitalisation is an appropriate and cost-effective method to the Company. For debt financing, having considered the lack of security for arranging any possible debt financing, the Directors considered the Group is not in a feasible position to obtain further debt financing from financial institutions for settlement of the Indebted Amount. In this regard, the Company had approached its principal banks in exploring to obtain a loan for the settlement of the Indebted Amount and the banks did not respond positively given the Group's circumstances. In addition, the prevailing high interest rate in the debt market will also increase the interest burden of the Group. Comparing to debt financing, the Debt Capitalisation would allow the Company in avoiding further finance cost.

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In respect of equity fund raising, given the relatively substantial amount of the Indebted Amount, the recent weak sentiment of the stock market and uncertain economic environment, it is difficult to procure an underwriter or a placing agent for rights issue or open offer or a placing agent for share placement which is able to raise sufficient funding for the settlement of the Indebted Amount.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect on the shareholding interest of the existing Shareholders, having considered (i) the capitalisation of the Indebted Amount can discharge the settlement obligations of the Loans; and (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will enlarge the capital base, and accordingly, strengthen the financial position of the Group.

The Company also considered other equity issuance methods, such as rights issue, open offer and placing new shares to independent third parties. However, (i) given the recent unfavourable market sentiment, the Company had difficulties in sourcing investors or placing agents for equity investments with terms acceptable to the Company and amounts sufficient in settling the Indebted Amount; and (ii) although both open offer and rights issue would allow the Shareholders to participate in the subscription on new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the Company, given the thin trading volume of the Shares, the Company would have difficulties in sourcing underwriter with reasonable underwriting fee and subscription price of reasonable discount. The Company had approached a number of placing agents in exploring to conduct equity fundraising activities. However, the Company could not find any placing agents interested in equity fundraising activities of the Company at the moment due to various factors as disclosed above.

As such, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to preserve as much liquidity as possible in order to maintain the Group's financial and liquidity position for its business operation and development.

### *Improvement in the financial position of the Company*

Upon Completion, the Group's net liabilities position is expected to decrease by the Indebted Amount of approximately HK\$44.8 million. For illustrative purpose, based on the Group's consolidated net liabilities of approximately HK\$63.9 million as at 31 December 2023, assuming the Debt Capitalisation and the allotment and issue of the Capitalisation Shares had taken place on 31 December 2023, the total liabilities and net liabilities of the Group will be reduced to approximately HK\$323.7 million and HK\$19.1 million respectively. Accordingly, the net gearing ratio (being net debt divided by total capital, where net debt is calculated as the sum of other borrowings, shareholders' loan, loans from fellow subsidiaries and loan from related parties, less cash and bank balances) shall be decreased from approximately 141.6% to approximately 109.6% as at 31 December 2023.

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In view of the above, the Directors consider that the terms of the Settlement Agreement and the Debt Capitalisation are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

We have reviewed the email records between the Group and these financial institutions and note that they did not show positive interest in the Group's invitation taking into account the Group's historical financial performance and current market situation. As a result, the financing alternatives such as (i) debt financing exercise; or (ii) other equity fund raising exercises, such as rights issue, open offer and placing new shares to independent third parties, are not feasible.

In light of the above, we understand that under the prevailing high interest rate macroeconomics environment, lenders would request higher interest rates from the borrowers, and thus resulting in additional interest burden on the Group, and therefore debt financing and the relevant finance cost would be detrimental to the financial performance and financial position of the Group especially under the existing tightened financing environment. Furthermore, obtaining a new loan to settle the Indebted Amount would inevitably result in future financial burden on the part of the Group in the form of an obligation to repay the principal amount upon maturity of the loan. In any event, it is already discussed above that the Group has approached its principal banks in connection with obtaining a loan for settlement of the Indebted Amount but the banks did not respond positively given the Group's circumstances. In relation to other equity issuance alternatives, such as rights issue, open offer and placing of new shares, we are of the view that (a) such alternatives may potentially incur higher transaction costs as a placing or underwriting commission (subject to negotiations) to the placing agent(s) and/or the underwriter(s) is normally payable; (b) in the case(s) of rights issue and/or open offer, involve more document preparation with more professional parties involved resulting in additional transaction costs; (c) in the case(s) of rights issue and/or open offer, would need a relatively longer timeframe to complete in comparison to the Debt Capitalisation after taking into account the Indebted Amount of HK\$44,849,677 and the market capitalisation of the Company as at the Latest Practicable Date of approximately HK\$43,934,000, it would result in the increase of the number of issued Shares by more than 50%, in which it would be made conditional on approval by Shareholders in compliance with Rules 7.19A and 7.27A of the Listing Rules, therefore involving preparation and issuance of circular, notice period of an extraordinary general meeting, subsequent posting of a prospectus and an offer period of not less than 10 business days which may expose the Company to additional completion risks due to unexpected termination of the placing or underwriting agreement by a third party due to a force majeure event arising out of weak macroeconomy factors or multiple ongoing global geopolitical risks; and (d) in the case of placing of new shares under general mandate, the Company has already received negative responses from two brokerage firms and even in the hypothetical situation where such placing of new shares were to proceed, such gross proceeds raised (after taking into account (i) the weak historical financial performance of the Group as discussed in section 1 of this letter; (ii) in view of the foregoing, any places (if any) will likely demand the maximum price discount of 20% as allowed under Rule 13.36(2)(b) of the Listing Rules; and (iii) the aforementioned market capitalisation of the Company as at the Latest Practicable Date) will likely be in the ballpark of

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approximately HK\$7,029,000, an amount which is inconsequential within the context of settlement of the Indebted Amount. We, therefore, are of the view that the Debt Capitalisation is the most appropriate means of financing option, as compared with other alternative financing methods, to settle the Indebted Amount.

Way of debt settlement is an outcome of arm's length negotiation between debtor(s) and creditor(s), taking into account, amongst others, debtor(s)' operational and financial situation and financing capability and the creditor(s)' financial situation, liquidity and investment objective. Based on our discussion with the Management, we understand that the Debt Capitalisation (which is considered the most appropriate means of financing option for the Group after taking into account the respective pros and cons of each of the financing alternatives in the sub-paragraph headed "Alternative financing methods considered by the Company" above, and is the agreed settlement method of the Indebted Amount after arm's length negotiation between the Company as the debtor and the Creditors as the creditors to on one hand allow the Company to settle the Indebted Amount amid the current financial situation and on the other hand fulfil the Creditors' equity investment objective) is effective as part of the Group's overall plan in addressing its liquidity challenges after having considered, as disclosed in the section headed "Reasons for and benefits of the Debt Capitalisation" in the Board Letter, (i) the Group's secured borrowings and accrued interest of approximately HK\$218.2 million with the Lender A (i.e. the Group's largest remaining liability as at 31 December 2023 outside of the Indebted Amount) is expected to be released upon conclusion of the litigation between the Bank and the Lender A or the disposal of the Yingkou Properties in accordance to the judgement by the relevant court in the PRC; and (ii) the Group's other payables of approximately HK\$48.6 million as at 31 December 2023, which mainly represented other payables recorded by the Yingkou Subsidiaries in relation to the property investment business of the Yingkou Subsidiaries in the past, including an aggregate amount of approximately HK\$32.5 million due to Lender B and its related companies. During FY2023, the Company is exploring with Lender B and local government in the PRC, to settle such other payables together with the Extended Loan by way of disposal of the Yingkou Subsidiaries to Lender B or its group companies. As at 31 December 2023, the assets of Yingkou Subsidiaries principally consisted of investment properties and consideration receivables with carrying amount of approximately HK\$94.1 million and HK\$130.4 million respectively, and the liabilities of the Yingkou Subsidiaries principally consisted of secured borrowings and accrued interests and other payables of approximately HK\$218.2 million and HK\$46.8 million respectively. It is expected that the settlement arrangement, if materialises, may be finalised by 2024.

Having considered that (i) the Debt Capitalisation will allow the Company to settle the Indebted Amount without imposing any substantial cash outflow so as to release the liquidity and working capital pressure of the Company; (ii) the severe shortage of cash and working capital for the repayment of the indebtedness of the Group; (iii) the latest published financial position of the Group, particularly the net current liabilities position and the net liabilities position as at 31 December 2023, as discussed in section 1 of this letter; (iv) the Debt Capitalisation is the most appropriate means of financing option for the Group after taking into account the respective pros and cons of each of the financing alternatives and in the case of bank loan and other equity fund raising exercises, their

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infeasibility after consultation with securities brokerage firms and the Group's principal banks; (v) the principal terms of the Debt Capitalisation (including the Issue Price) compare favourably against the Comparable Transactions as defined and discussed in section 5 of this letter; and (vi) the Creditors are willing to accept the settlement of the Indebted Amount by way of the Debt Capitalisation which in turn demonstrated the faith and confidence of the Group's controlling shareholders in the Group's business operation and prospects, we therefore concur with the Directors' view that the terms of the Settlement Agreement are fair and reasonable and the Debt Capitalisation is in the interests of the Company and the Shareholders as a whole.

### 3. The proposed Debt Capitalisation

With reference to the Board Letter, on 25 January 2024 (after trading hours), the Company entered into the Settlement Agreement with the Creditors, pursuant to which the Company has conditionally agreed to capitalise the Indebted Amount (representing all debts and accrued interests owed to the Creditors by the Company), the Creditors have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 896,993,536 Capitalisation Shares at the Issue Price of HK\$0.05 per Capitalisation Share under a specific mandate. Pursuant to the Settlement Agreement, upon Completion, all obligations of the Company under the respective loan agreement (including all debts and accrued interests owed to the Creditors by the Company) will be fulfilled.

#### 3.1 *The Settlement Agreement*

The principal terms of the Settlement Agreement are set out as follows:

Parties	:	The Company and the Creditors
Issuer	:	The Company
Capitalisation Shares	:	896,993,536 Capitalisation Shares
Issue Price	:	HK\$0.05 per Capitalisation Share

##### 3.1.1 *Debt Capitalisation*

The Company is indebted to the Creditors in the sum of the Indebted Amount. The Company will issue to the Creditors the Capitalisation Shares at the Issue Price as full settlement of the Loans and the fulfilment of all obligations of the Company under the respective loan agreement.

##### 3.1.2 *Capitalisation Shares*

The 896,993,536 Capitalisation Shares under the Debt Capitalisation will be allotted and issued under a specific mandate which is subject to Independent Shareholders' approval at the EGM.

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Assuming there will be no change in the issued share capital of the Company from the date of the Settlement Agreement up to the date of Completion, the Capitalisation Shares represent:

- (i) approximately 165.38% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 62.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

### *3.1.3 Issue Price*

The Issue Price of HK\$0.05 per Capitalisation Share represents:

- (i) a discount of approximately 10.7% to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the date of the Settlement Agreement;
- (ii) a discount of approximately 5.7% to the average closing price of approximately HK\$0.053 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Last Trading Day;
- (iii) a discount of approximately 61.73% to the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 57.47% to the average closing price of approximately HK\$0.087 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Latest Practicable Date;
- (v) a price difference of approximately HK\$0.132 as compared to the audited consolidated net liabilities of approximately HK\$0.082 per Share as at 31 December 2022, which is calculated based on the Group's audited consolidated net liabilities of the Company of approximately HK\$44,679,000 as at 31 December 2022 and 542,392,207 Shares in issue as at the Latest Practicable Date;
- (vi) a price difference of approximately HK\$0.118 as compared to the unaudited consolidated net liabilities of the Company of approximately HK\$0.068 per Share as at 30 June 2023, which is calculated based on the Group's unaudited consolidated net liabilities of the Company of approximately HK\$37,051,000 as at 30 June 2023 and 542,392,207 Shares in issue as at the Latest Practicable Date;

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- (vii) a price difference of approximately HK\$0.168 as compared to the audited consolidated net liabilities of the Company of approximately HK\$0.118 per Share as at 31 December 2023, which is calculated based on the Group's audited consolidated net liabilities of the Company of approximately HK\$63.9 million as at 31 December 2023 and 542,392,207 Shares in issue as at the Latest Practicable Date;
- (viii) a price difference of approximately HK\$0.170 as compared to the adjusted unaudited net liabilities of the Company of approximately HK\$0.120 per Share as at 31 December 2023. The calculation of the adjusted unaudited consolidated net liabilities of the Company per Share as at 31 December 2023 is set out under the section headed "Property Interests and Adjusted Net Asset Value" in Appendix I to the Circular; and
- (ix) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 6.61% of the theoretical diluted price of HK\$0.0523 per Share to the benchmarked price of HK\$0.056 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Settlement Agreement of HK\$0.056 per Share and the average closing price of HK\$0.0532 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Settlement Agreement).

As at 31 December 2023, the audited consolidated net liabilities of the Group were approximately HK\$63.9 million.

The Issue Price was determined after arm's length negotiation between the Company and the Creditors after taking into account (i) the Indebted Amount being overdue or would be overdue imminently as at the date of the Settlement Agreement; (ii) the recent trading prices of the Shares prior to the date of signing the Settlement Agreement; (iii) the trading volume of the Shares was thin with average daily trading volume of the Shares per month around 0.05% of the total number of issued Shares since the resumption of trading of the Shares in May 2023; (iv) the net current liabilities and net liabilities of the Group as at 31 December 2022 and 31 December 2023; and (v) the current equity capital market conditions. The Directors consider that the terms of the Settlement Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The amount of the total Issue Price of the Capitalisation Shares shall be satisfied by way of capitalising the Indebted Amount owed to the Creditors by the Company. In addition, the Group will use its internal resources to settle the professional fees and all related expenses of approximately HK\$0.8 million which may be borne by the Company in connection with the Debt Capitalisation.

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### *3.1.4 Ranking*

The Capitalisation Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Capitalisation Shares.

### *3.1.5 Conditions precedent*

The Completion is conditional upon the satisfaction of the following conditions precedent:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares;
- (ii) passing by the Independent Shareholders of the Company resolutions at the EGM approving (a) the Settlement Agreement and the transactions contemplated thereunder (more than 50% of the votes cast by the Independent Shareholders at the EGM by way of poll); and (b) the Whitewash Waiver (at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll) in accordance with the Listing Rules and the Takeovers Code;
- (iii) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to WIFHL, and the satisfaction of all conditions (if any) attached thereto; and
- (iv) the obtaining by the Company of the approval from the Shareholders on the Proposed Increase in Authorised Share Capital.

All the above conditions precedent are not waivable. As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled.

If the above conditions precedents are not satisfied by the Long Stop Date, the Settlement Agreement shall be automatically terminated with immediate effect.

### *3.1.6 Completion*

Completion of the Debt Capitalisation shall take place within seven Business Days after the date on which the last conditions precedent is satisfied, or at such other date, time and venue as the parties may agree in writing.

## **3.2 Information on the Creditors**

As stated in the Board Letter, the Creditors consisted of WIFHL, Longma International, Mr. Tang, WIFL, Mr. Pan, Able Plus and Mr. Zhou.

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WIFHL is a company with limited liability incorporated in Hong Kong principally engaged in investment holding, which holds 66.67% equity interest of Longma International as its only investment. WIFHL is wholly-owned by Wonderland International Financial Holdings Company, which is in turn owned as to (i) 55.95% by Hua Zhi Investment Limited, which is in turn owned as to 56.21% by Mr. Li Gang, 29.95% by Mr. Wang Shengkun, 11.98% by Ms. Lu Qing and 1.86% by Mr. Feng Dafu; (ii) 41.79% by Pu Shi International Investment Limited, which is ultimately and beneficially held by Mr. Su Shaowen; (iii) 1.79% by Mr. Soh Kai Jun; and (iv) 0.47% by Ms. Xia Liping.

Longma International is a company with limited liability incorporated in Hong Kong principally engaged in investment holding, which holds 34% equity interest of Longma International Consulting Limited, a company principally engaged in the provision of company secretarial service, as its only investment. Longma International is owned as to 66.67% by WIFHL and 33.33% by Mr. Li Gang.

Mr. Tang is the son of Mr. Li Gang, the chairman and executive Director of the Company.

WIFL is a company with limited liability incorporated in Hong Kong principally engaged in money lending business and is a wholly-owned subsidiary of Wonderland Capital International Holdings Limited, which is beneficially owned as to (i) 33.33% by Wonderland Group Investment Holdings Corporation, which is in turn equally held by Mr. Jiang Peixing and Mr. Liu Shao Kang; (ii) 19.05% by China Minghua Holdings Limited which is wholly owned by Mr. Zhang Xiaoming; (iii) 19.05% by Mr. Yan Qiang; (iv) 19.05% by Mr. Shi Jiaqi; and (v) 9.52% by Mr. Li Xiaolei. Mr. Jiang Senlin, the executive Director of the Company, is one of the directors of WIFL.

Mr. Pan is an executive Director and a Shareholder holding 33,112,281 Shares representing approximately 6.11% of the issued shares of the Company as at the Latest Practicable Date.

Able Plus is a company with limited liability incorporated in Hong Kong principally engaged in trading of non-ferrous metal products, which is owned as to 40% by Mr. Pan and 60% by Ms. Ma Hiu Ngai, the spouse of Mr. Pan.

WIIHL, the single largest shareholder of the Company as at the Latest Practicable Date, is owned as to (i) 58.44% by Hua Zhi Investment Limited, which is the intermediate holding company of WIFHL and Longma International and Mr. Li Gang is the ultimate beneficial owner as detailed above; (ii) 18.38% by Pu Shi International Investment Limited, which holds 41.79% shareholding interest in Wonderland International Financial Holdings Company as detailed above; (iii) 13.18% by Wonderland Capital International Holdings Limited, which is the immediate holding company of WIFL as detailed above; and (iv) 10.00% by Able Plus Investment (Holdings) Limited, which is wholly-owned by Mr. Pan.

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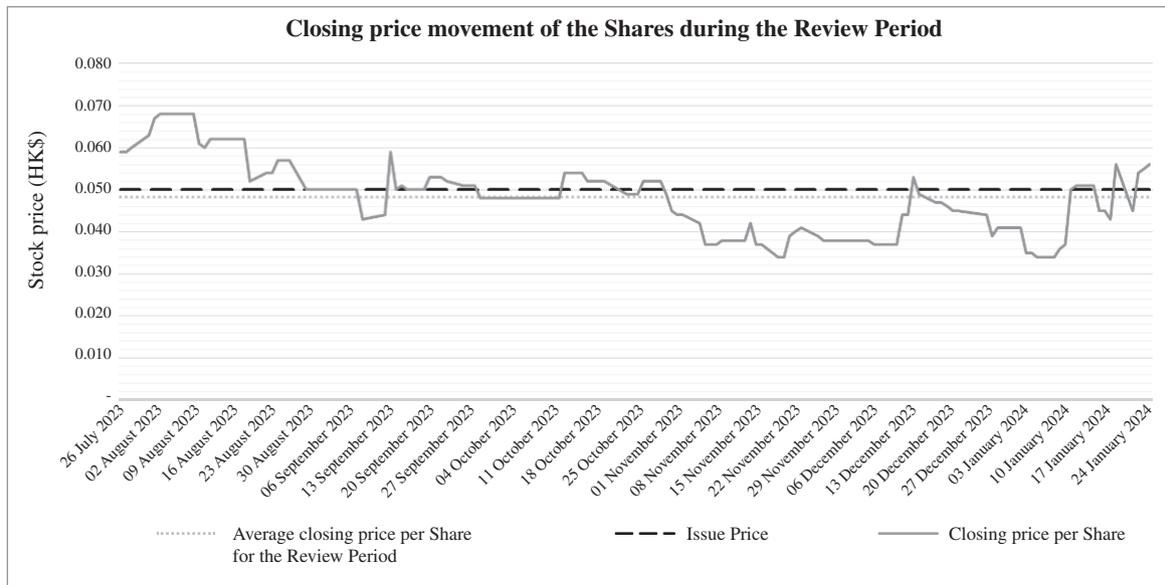
Mr. Zhou is a Shareholder holding 14,071,460 Shares representing approximately 2.59% of the issued shares of the Company as at the Latest Practicable Date. Mr. Zhou is not connected with (i) any of the other Creditors, their respective shareholders and ultimate beneficial owners; and (ii) WIFHL and parties acting in concert with it.

#### 4. Historical price and trading volume of the Shares

In order to assess the fairness and reasonableness of the Issue Price, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange during the 6 months ended the date of the Settlement Agreement, i.e. from 26 July 2023 to 25 January 2024 (the “**Review Period**”); and (ii) the average daily trading volumes of the Shares for each of the months/periods during the Review Period.

In relation to the 6 months Review Period adopted in our analysis, we note that (i) it represents a reasonable period to provide a general overview of the recent price performance of the Shares which has fully reflected relevant information of the Group’s performance; (ii) a shorter period (e.g. 3 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. 12 months) may have been too distant in time making such historical trend less relevant within the context of the Debt Capitalisation and with reference to the dynamic financial markets. Accordingly, we consider that the sampling period of 6 months for the Review Period is appropriate when conducting an analysis on the historical closing prices of the Shares, trading volumes and the Issue Price.

##### 4.1 Closing price movement of the Shares during the Review Period



Source: website of the Stock Exchange

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As illustrated in the chart above, the closing price of the Shares exhibited a generally volatile trend during the Review Period. Starting from the closing price of HK\$0.059 per Share at the beginning of the Review Period on 26 July 2023, the closing price of the Shares entered into a phase of unstable trend, reaching the closing price of HK\$0.059 per Share on 12 September 2023. Subsequently, the closing price of the Shares experienced a sliding trend from 13 September 2023 to 11 December 2023, ranging from a low closing price of HK\$0.034 per Share on 20 November 2023 and 21 November 2023, to a high closing price of HK\$0.054 per Share on 13 October 2023 and 16 October 2023. The closing price of the Shares then sharply increased from HK\$0.037 per Share on 11 December 2023 to HK\$0.053 per Share on 14 December 2023, before experiencing a downturn reaching HK\$0.034 per Share on 8 January 2024. The closing price of the Shares exhibited a generally escalating trend thereafter, reaching the closing price of HK\$0.056 per Share on the date of the Settlement Agreement on 25 January 2024.

In relation to the decrease from HK\$0.053 per Share on 14 December 2023 to HK\$0.034 per Share on 8 January 2024, we note that such decrease in closing price of the Shares was coupled with marked increases in trading volume on 15 December 2023 and 3 January 2024 of 488,700 Shares and 539,000 Shares, respectively. Nevertheless, trading volumes in those two days represented only approximately 0.1% of the total issued Shares as at the Latest Practicable Date. We are unable to point out the definitive reason for such fluctuations in our capacity as the Independent Financial Adviser. We have made inquiry to the Management which is also not aware of any other reasons for the aforementioned decline in the closing price of the Shares. We have also reviewed the announcements disclosed during such period and we are not aware of any information which caused the substantial change in the closing price of the Shares.

Having considered (i) the Issue Price of HK\$0.05 per Capitalisation Share is slightly above the average closing price of Shares during the Review Period of HK\$0.048 per Share; and (ii) the generally volatile trend of the Share price during the Review Period, we are of the view that the Issue Price is fair and reasonable to the Shareholders within the context of the historical closing prices of the Shares during the Review Period.

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### 4.2 Average daily trading volume of the Shares for each month/period during the Review Period

The table below sets out the average daily trading volume of the Shares for each month/period during the Review Period:

Month/period	Number of trading days	Average daily trading volume of the Shares during the month/period (Note 1) (approximate)	Average daily trading volume of the Shares during the month/period to the total number of issued Shares (Note 2) (approximate)
<b>2023</b>			
July (from 26 July 2023)	4	99,250	0.02%
August	23	126,890	0.02%
September	19	115,776	0.02%
October	20	55,220	0.01%
November	22	78,612	0.01%
December	19	76,095	0.01%
<b>2024</b>			
January (up to and including the date of the Settlement Agreement, i.e. 25 January 2024)	18	414,999	0.08%

*Source: website of the Stock Exchange*

*Notes:*

1. The average daily trading volume of the Shares are calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. As at the Latest Practicable Date, the total number of issued Shares is 542,392,207.

During the Review Period, the average daily trading volume of the Shares in each month/period ranged from a low of 55,220 Shares in October 2023 to a high of 414,999 Shares in January 2024, representing approximately 0.01% and 0.08% to the total number of issued Shares as at the Latest Practicable Date, respectively.

### *4.3 Our observations*

We consider that the trading liquidity of the Shares were very thin during the Review Period, with the average daily trading volume of all months/periods being less than 0.10% to the total number of issued Shares as at the end of their respective month/period. The limited trading liquidity and low trading volume pose significant hurdles for the Company when considering alternative financing options such as placing of new Shares with independent investors, rights issues, and open offers. This situation of low trading liquidity also suggests that selling a substantial block of Shares in the open market could potentially lead to a substantial decline in the Share prices. Consequently, when the Company explores substantial equity financing options in the stock market, potential investors are likely to seek more significant incentives, including a substantial discount on the issue price relative to the prevailing market price of the Shares, to encourage their participation in these fund-raising initiatives.

In addition to the low trading volume during the Review Period, based on the terms of the Debt Capitalisation which are fair and effective in addressing the Group's liquidity challenges, and our analysis of recent market practices related to the Comparable Transactions, as defined and discussed in section 5 of this letter, we are of the view that it is reasonable to set the Issue Price at a discount to the prevailing historical closing prices of the Shares to balance the low trading liquidity of the Shares during the Review Period.

## **5. Comparative analysis on the proposed terms of the Debt Capitalisation**

### *5.1 The Comparable Transactions*

In order to assess the fairness and reasonableness of the Issue Price, we have identified an exhaustive list of 6 debt/loan capitalisation transactions involving issue of new shares to independent third party(ies) or connected person(s) under specific mandate (the “**Comparable Transaction(s)**”) which were announced by companies listed on the Main Board or GEM of the Stock Exchange during 12-month period ended on the date of the Settlement Agreement, i.e. 25 January 2024.

Although the Comparable Transactions include debt/loan capitalisation transactions in different scale, companies involved in the Comparable Transactions engaged in different business or have different financial performance and funding needs from the Company, having considered (i) all of the companies involved in the Comparable Transactions and the Group are listed on the Stock Exchange; (ii) the selection of the Comparable Transactions without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework; (iii) including Comparable Transactions with different funding needs and business represents a more comprehensive overall market sentiment in our comparable analysis; (iv) a 12-month period for the selection of the Comparable Transactions has generated a reasonable and meaningful number of

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sample size of transactions announced by Hong Kong listed issuers to reflect the market practice regarding recent debt/loan capitalisation transactions, whereas if a longer period (e.g. 24-month) is used, that would have generated way too many comparable debt/loan capitalisation transactions making the analysis less meaningful with a wider range of premium and discount of the relevant issue prices; and (v) we have made these two exclusions for the following reasons: (a) the loan capitalisation transaction of China Evergrande New Energy Vehicle Group Limited (stock code: 708) (the “**China Evergrande Transaction**”), announced by it on 14 August 2023, met our aforementioned selection criteria, but recorded an issue price premium of approximately 157.7% to the closing price per share as of its relevant last trading day, and such issue price premium represents approximately 17.6 times the issue price premium of approximately 9.0% to the closing price per share as of its relevant last trading day, as noted from the loan capitalisation transaction of China Regenerative Medicine International Limited (stock code: 8158), which has the second highest issue price premium should the China Evergrande Transaction be also considered as one of the Comparable Transactions. The issue price premium of China Evergrande Transaction is exceptionally high as compared with those of the other Comparable Transactions, and therefore we are of the view that the China Evergrande Transaction does not relate to the other samples of our selected Comparable Transactions (which do have parameters that relate to each other) indicating the China Evergrande Transaction is an outlier case and is deemed inapplicable for the purpose of our analysis; and (b) the loan capitalisation transaction of SoftMedx Healthcare Limited (stock code: 648) (the “**SoftMedx Transaction**”), announced by it on 3 November 2023, met our aforementioned selection criteria, but it is a long trading suspended company, and its last trading day immediately before its trading suspension as disclosed in the relevant announcement is 24 November 2017, which is considered to be too distant for comparison purposes (collectively with the China Evergrande Transaction, the “**Excluded Company(ies)**”), the 6 Comparable Transactions identified and included during the aforementioned period were exhaustively included without any artificial selection or filtering on our part so the Comparable Transactions represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparable Transactions are fair and representative samples.

Moreover, the selection of the Comparable Transactions did not adopt the involvement of whitewash waiver (as in the case of the Debt Capitalisation) as a criteria, as the purpose of our analysis is to compare the terms of similar underlying transactions (i.e. debt/loan capitalisation) on the market against the proposed terms of the Debt Capitalisation to assess the fairness and reasonableness of the Issue Price. We note that the issue price of the Comparable Transactions was determined with reference to, among other factors, the market conditions and the financial position of the listed companies while we are not aware of any empirical evidence which suggests that the inclusion or not of a whitewash waiver would materially alter the terms of the underlying transaction. In addition, should the selection of the Comparable Transactions also adopt the involvement of whitewash waiver as a criteria, we note that (i) only one transaction, i.e. the SoftMedx Transaction which

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had already been excluded as an Excluded Company for the reasons stated above, will be deemed applicable during 12-month period ended on the date of the Settlement Agreement, i.e. 25 January 2024, which is too small of a sample size for the purpose of our analysis; and (ii) alternatively, an extension on the selection period (e.g. 24-month or 36-month) would be required so as to increase the number of samples gathered but we consider such lengthened reference time is too distant for comparison purposes and may fail to illustrate the recent market trends for similar transactions conducted by other Hong Kong listed issuers.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the Issue Price. To the best of our knowledge and as far as we are aware of, the Comparable Transactions represent an exhaustive list of all relevant transactions fitting our search criterion as mentioned above, and we consider that such Comparable Transactions can provide a reference on the recent debt/loan capitalisation transactions given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies constituting the Comparable Transactions may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the debt/loan capitalisation transactions may also be different from that of the Company.



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*Source: website of the Stock Exchange*

*Notes:*

1. It is stated in the announcement of the company involved in this Comparable Transaction that “the Subscription Price represents the closing price of HK\$0.062 per Share as quoted on the Stock Exchange on 31 August 2023, the date of the Subscription Agreement”. In this regard, no premium or discount of its subscription price over or to the closing price per share on the date of the relevant agreement is adopted for this Comparable Transaction.
2. It is stated in the Board Letter that “WIFHL had made an application to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Capitalisation Shares”, and “the Executive may or may not grant the Whitewash Waiver”.
3. The dilution effect on public shareholders is calculated as the difference of the shareholdings of public shareholders of the respective companies involved in the Comparable Transactions as at the date of the relevant announcements and immediately after the completions of the respective debt/loan capitalisation.
4. It is stated in the announcement of the company involved in this Comparable Transaction that “save for the Capital Reorganisation, assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, the total of 18,823,530 Subscription Shares represent approximately 6.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (after taking into account the effect of the Capital Reorganisation)”.
5. The results on whether the shareholders’ approval was obtained, in relation to the respective debt/loan capitalisation transactions, were based on the relevant announcements in relation to the poll results of the corresponding extraordinary general meetings.

### *5.2 The Issue Price*

As illustrated in the table above, we note that variance of the issue/subscription price over/to the closing price per share of the respective company on the last trading day prior to/on the date of the relevant announcement/agreement of the Comparable Transactions, ranged from a discount of approximately 57.7% to a premium of approximately 9.0%, with an average figure being a discount of approximately 17.3% and a median figure being a discount of approximately 9.9%. The Issue Price’s discount to closing price on the date of the Settlement Agreement of approximately 10.7% therefore falls within the range of the discount to the last trading day of the Comparable Transactions, and it represents a higher discount than the median figure but a lower discount than the average figure thereof and is far lower than the maximum discount figure thereof.

We note that variance of the issue/subscription price over/to the average closing price per share of the respective company on the last five consecutive trading days prior to/on the date of the relevant announcement/agreement of the Comparable Transactions, ranged from a discount of approximately 48.1% to a premium of approximately 14.4%, with an average figure being a discount of approximately 16.4% and a median figure being a discount of approximately 12.4%. The Issue Price’s discount to average closing price for the last five (5) trading days up to and including the date of the Last Trading Day of approximately 5.7% therefore falls

## LETTER FROM GRAND MOORE CAPITAL

within the range of the discount to average closing price per share on the last five consecutive trading days of the Comparable Transactions and represents a lower discount than the average figure and the median figure thereof and is far lower than the maximum discount figure thereof.

We understand that, as stated in the Board Letter, the Issue Price was determined after arm's length negotiation between the Company and the Creditors after taking into account (i) the Indebted Amount being overdue or would be overdue imminently as at the date of the Settlement Agreement; (ii) the recent trading prices of the Shares prior to the date of signing the Settlement Agreement; (iii) the trading volume of the Shares was thin with average daily trading volume of the Shares per month around 0.05% of the total number of issued Shares since the resumption of trading of the Shares in May 2023; (iv) the net current liabilities and net liabilities of the Group as at 31 December 2022 and 31 December 2023; and (v) the current equity capital market conditions.

In light of the results of the Comparable Transactions, as set out above, where:

- (i) the Issue Price represents a higher discount than the median closing price of the last trading day but a lower discount than the average closing price of the last trading day of the companies involved in the Comparable Transactions, and it falls within the ranges of the discount to the last trading day of such Comparable Transactions and such discount is far lower than the maximum discount figures of such Comparable Transactions thereof;
- (ii) the Issue Price falls within the ranges of the discount to average closing price per share on the last five consecutive trading days of the companies involved in the Comparable Transactions and represents a lower discount than the average figure and the median figure thereof and such discount is far lower than the maximum discount figures of such Comparable Transactions thereof; and
- (iii) the Issue Price representing a discount to recent closing prices of the Shares may increase the overall appeal or attractiveness of the Debt Capitalisation to the Creditors in light of the dire circumstances (in particular the net current liabilities and net liabilities position as at 31 December 2023) faced by the Company as discussed in section 1 of this letter. On the contrary, if the issue price was set at a premium to the prevailing market price of the Share, it may increase the risk of the Creditors of not accepting the proposed Debt Capitalisation,

we consider the principal terms of the Debt Capitalisation (including the Issue Price) are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole.

## **6. Potential dilution effect on interests of other public Shareholders**

The attention of the Independent Shareholders is drawn to the section headed “Effect on Shareholding Structure of the Company” in the Board Letter for the analysis on shareholding under various scenarios. As noted in the aforementioned section, the shareholding of the ‘Other Shareholders’ is approximately 70.51% as at the Latest Practicable Date. Under the scenario immediately after the Completion and issue of the Capitalisation Shares (assuming no change to the number of issued Shares from the Latest Practicable Date up to the date of the Completion), the shareholding of the ‘Other Shareholders’ would be diluted to approximately 26.57%, representing a decrease in shareholding by approximately 43.94%.

We are aware of the Debt Capitalisation will incur a dilution effect on the shareholding of the other public Shareholders. Nonetheless, having considered that (i) the Debt Capitalisation can relieve the Group’s repayment obligation on the Indebted Amount without depleting its existing financial resources; (ii) the existing financial resources of the Group may be applied to the development of the businesses and projects of the Group to generate more revenue and profit; (iii) the Debt Capitalisation can improve the financial position of the Group; and (iv) the terms of the Debt Capitalisation, as discussed in section 5 of this letter, being fair and reasonable so far as the Shareholders are concerned, we consider the potential dilution effect on the shareholding interests of the other public Shareholders to be acceptable.

## **7. Financial effects of the Debt Capitalisation**

### *7.1 Total liabilities and total deficit*

According to the 2023 Annual Results and as discussed in section 1 of this letter, the total liabilities and total deficit of the Group were approximately HK\$368,488,000 and HK\$63,884,000 as at 31 December 2023, respectively. Assuming the Group will not incur new borrowings and no other settlement will be made on the Group’s liabilities, the total liabilities of the Group will be decreased by the Indebted Amount of HK\$44,849,677 upon the Completion. In light of the decrease of total liabilities of the Group, the total deficit of the Group will also be enhanced by the Indebted Amount of HK\$44,849,677. As stated in the Board Letter, the total liabilities and net liabilities of the Group will be reduced to approximately HK\$323.7 million and HK\$19.1 million. We consider that the Debt Capitalisation will result in an overall improvement on the Group’s financial position.

### *7.2 Gearing ratio*

According to the 2023 Annual Results and as discussed in section 1 of this letter, the Group recorded a gearing ratio of approximately 141.6% as at 31 December 2023. Upon the Completion, the gearing ratio of the Group is expected to improve accordingly as the total debt of the Group would decrease by the Indebted Amount of HK\$44,849,677. As stated in the Board Letter, the net gearing ratio shall be decreased from approximately 141.6% to approximately 109.6% as at 31 December 2023. The Debt Capitalisation will recognise the Capitalisation Shares

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entirely, when allotted and issued, as equity of the Company. We, therefore, consider that the Debt Capitalisation will have an overall improvement on the gearing ratio of the Group.

### *7.3 Working capital*

As the Indebted Amount will be fully settled by way of allotment and issue of the Capitalisation Shares without incurring any cash outflow (save and except the professional fees and all related expenses in connection with the Debt Capitalisation) by the Group, the Debt Capitalisation would enable the Company to free the cash flow on its general working capital, for repayment of other borrowings and/or development of its business without affecting the working capital of the Company. Accordingly, the cash and liquidity positions of the Group are expected to improve upon the Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Completion.

### **8. The Whitewash Waiver**

As stated in the Board Letter, assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the Capitalisation Shares to be allotted and issued represent (i) approximately 165.38% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 62.32% of the issued share capital of the Company as enlarged by the issued of the Capitalisation Shares.

As at the Latest Practicable Date, (i) WIFHL does not hold any Shares; and (ii) parties acting in concert with WIFHL (i.e. WIIHL and Mr. Pan) hold an aggregate of 145,902,047 Shares, representing approximately 26.90% existing issued share capital of the Company as at the Latest Practicable Date.

Assuming there will be no change in the number of issued Shares from the Latest Practicable Date up to the Completion, upon Completion, (i) the shareholding of WIFHL in the Company will increase from nil to approximately 39.10%; and (ii) the shareholding of WIFHL and its concert parties in the Company will increase from approximately 26.90% to 70.48%. WIFHL will, therefore, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted.

In light of the above, WIFHL had made an application to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Capitalisation Shares.

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The Executive has agreed, subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Debt Capitalisation.

The Executive may or may not grant the Whitewash Waiver. The Debt Capitalisation will not proceed if the Whitewash Waiver is not granted or approved.

Upon the Completion, the maximum potential aggregate holding of voting rights of the WIFHL and its concert parties in the Company will exceed 50% of the voting rights of the Company, and WIFHL and its respective concert parties may increase their shareholding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer thereafter.

The Completion is conditional on, among other things, the granting of the Whitewash Waiver by the Executive conditional only on the approval by the Independent Shareholders approving the same by way of poll at the EGM and such Whitewash Waiver not having been withdrawn. As discussed in section 3.1.5 of this letter, all the conditions precedent to the Completion, including the grant of the Whitewash Waiver as discussed above, are not waivable. Accordingly, the Debt Capitalisation will not proceed and the Shareholders will forgo the benefits associated with the Debt Capitalisation as discussed in section 2 of this letter, if the Whitewash Waiver is not granted by the Executive and not approved by the Independent Shareholders.

The successful implementation of the Settlement Agreement and the Debt Capitalisation will (i) alleviate the financial stress currently encountered by the Group; and (ii) recognise the Capitalisation Shares entirely, when allotted and issued, as equity of the Company which in turn will enlarge the capital base, and accordingly, strengthen the financial position of the Group. On the contrary, in the absence of the Settlement Agreement and the Debt Capitalisation, the Company (i) will forgo all the benefits that are associated with the Debt Capitalisation, as discussed in section 2 of this letter; or (ii) will not be able to settle the Indebted Amount in the immediate future given the infeasibility of alternative financing methods as discussed in section 2 of this letter and its insufficient available financial resources as at 31 December 2023 as discussed in sections 2 and 3 of this letter, in which case(s), it is likely that the end result would be far less favourable to the Shareholders. Therefore, we consider that the grant of the Whitewash Waiver, being a condition precedent to and an essential element of the Settlement Agreement and a common feature in similar rescue proposals for companies which are in grave financial difficulties and subsequently revived as a result of debt or loan capitalisations, is fair and reasonable.

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### OPINION AND RECOMMENDATION

Having considered the above principal factors and in particular,

- (i) the latest published financial position of the Group, particularly the net current liabilities position and the net liabilities position of approximately HK\$154,074,000 and HK\$63,884,000, respectively, as at 31 December 2023, as discussed in section 1 of this letter;
- (ii) the bank and cash balances of the Group of approximately HK\$28,027,000 as at 31 December 2023 is insufficient to fully settle the Indebted Amount, as discussed in section 1 of this letter;
- (iii) the Debt Capitalisation is the most appropriate means of financing option, as compared with other alternative financing methods, to settle the Indebted Amount, as discussed in section 2 of this letter;
- (iv) the Issue Price represents a higher discount than the median closing price of the last trading day but a lower discount than the average closing price of the last trading day of the companies involved in the Comparable Transactions, and it falls within the ranges of the discount to the last trading day of such Comparable Transactions and such discount is far lower than the maximum discount figures of such Comparable Transactions thereof, as discussed in section 5.2 of this letter;
- (v) the Issue Price falls within the ranges of the discount to average closing price per share on the last five consecutive trading days of the companies involved in the Comparable Transactions and represents a lower discount than the average figure and the median figure thereof and such discount is far lower than the maximum discount figures of such Comparable Transactions thereof, as discussed in section 5.2 of this letter;
- (vi) the principal terms of the Debt Capitalisation, including the ranking of the Capitalisation Shares, the conditions precedent to and Completion of the Settlement Agreement, are not out of ordinary. In particular, the Issue Price, as discussed in the subparagraph (iv) and (v) above, is fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole, as discussed in section 5.2 of this letter;
- (vii) (a) the Debt Capitalisation can relieve the Group's repayment obligation on the Indebted Amount without depleting its existing financial resources; (b) the existing financial resources of the Group may be applied to the development of the businesses and projects of the Group to generate more revenue and profit; (c) the Debt Capitalisation can improve the financial position of the Group; and (d) the terms of the Debt Capitalisation, as discussed in section 5 of this letter, being fair and reasonable so far as the Shareholders are concerned, thus the potential dilution effect to the public Shareholders is considered acceptable, as discussed in section 6 of this letter; and

## LETTER FROM GRAND MOORE CAPITAL

(viii) the grant of the Whitewash Waiver, being a condition precedent to and an essential element of the Settlement Agreement and a common feature in similar rescue proposals for companies which are in grave financial difficulties and revived as a result of debt or loan capitalisations, is fair and reasonable, as discussed in section 8 of this letter,

we are of the view that the Transactions, although not in the ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the resolutions to approve the Transactions at the EGM.

Yours faithfully,  
For and on behalf of

**Grand Moore Capital Limited**  
**Philip Chau**                      **Kevin So**  
*Managing Director*      *Managing Director —*  
*Investment Banking*  
*Department*

*Notes:*

Mr. Philip Chau is a licensed person under the SFO to undertake type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance). Mr. Chau is a representative and a responsible officer in respect of Grand Moore Capital Limited's type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance), respectively. Mr. Chau has over 30 years of experience in the corporate finance industry in Hong Kong.

Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 20 years of experience in the corporate finance industry in Hong Kong.

## 1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents; which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.enviro-energy.com.hk>).

The audited financial information of the Group for the year ended 31 December 2023 is disclosed in the 2023 Annual Results published on 28 March 2024, from pages 1 to 17.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0328/2024032802824.pdf>

The audited financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023, from pages 86 to 172:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701503.pdf>

The audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 28 April 2022, from pages 65 to 148:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801252.pdf>

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023, as extracted from the annual reports of the Company for the year ended 31 December 2021 and 2022 and the 2023 Annual Results.

	<b>For the year ended 31 December</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	531,504	269,577	321,844
Cost of sales	(490,259)	(252,835)	(305,926)
Gross profit	41,245	16,742	15,918

	For the year ended 31 December		
	2023 HK\$'000 (audited)	2022 HK\$'000 (audited)	2021 HK\$'000 (audited)
Other gains, net	1,603	164	11,002
Selling and distribution expenses	—	—	(7,560)
Administrative and operating expenses	(16,804)	(10,007)	(14,912)
Interest income	268	2	7
Impairment loss on intangible assets	—	(330)	(450)
Impairment losses on trade and other receivables and prepayments, net	(133)	(517)	(340,323)
Impairment loss on loan and interest receivables	—	(215,290)	—
Gain on disposal of subsidiaries	—	7,229	—
Fair value change on investment properties	(28,943)	(35,795)	(13,870)
Loss on deregistration of subsidiaries	—	(208)	—
Loss from operations	(2,764)	(238,010)	(350,188)
Finance costs	(12,001)	(10,709)	(6,667)
Loss before tax	(14,765)	(248,719)	(356,855)
Income tax expenses	(9,521)	(3,685)	(918)
Loss for the year	<u>(24,286)</u>	<u>(252,404)</u>	<u>(357,773)</u>
Income/(loss) for the year attributable to:			
— Owners of the Company	(35,750)	(257,028)	(357,773)
— Non-controlling interests	11,464	4,624	—
	<u>(24,286)</u>	<u>(252,404)</u>	<u>(357,773)</u>
Loss per share (in HK cent)			
Basic and diluted	<u>(6.59)</u>	<u>(47.39)</u>	<u>(65.96)</u>

	For the year ended 31 December		
	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Loss for the year	(24,286)	(252,404)	(357,773)
Other comprehensive (loss)/income, after tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	573	(12,566)	9,179
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	—	3,681	—
Other comprehensive income/(loss) for the year, net of tax	<u>573</u>	<u>(8,885)</u>	<u>9,179</u>
Total comprehensive loss for the year	<u>(23,713)</u>	<u>(261,289)</u>	<u>(348,594)</u>
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company	(35,001)	(265,797)	(348,594)
— Non-controlling interests	<u>11,288</u>	<u>4,508</u>	<u>—</u>
	<u>(23,713)</u>	<u>(261,289)</u>	<u>(348,594)</u>

No dividend was paid or proposed for the years ended 31 December 2021, 2022 and 2023.

### Qualified opinion

The qualified opinions issued by the Company's auditor, ZHONGHUI ANDA CPA Limited, as contained in the Company's auditors' report for each of the three financial years ended 31 December 2021, 2022 and 2023, are extracted as follows:

#### *For the year ended 31 December 2023*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

1. Consideration receivables and impairment loss of loan receivables and interest receivables

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of consideration receivables of approximately HK\$130,383,000 and HK\$134,099,000 as at 31 December 2023 and 31 December 2022 respectively; in addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriate timing for recognition of (i) the impairment loss of loan receivables of approximately HK\$176,040,000 and (ii) the impairment loss of interest receivables of approximately HK\$39,250,000 for the year ended 31 December 2022.

There are no other satisfactory audit procedures that we could adopt to determine whether the above amounts are fairly stated in the consolidated financial statements.

In respect of the consideration receivables, the management is still in the progress of taking various actions, including but not limited to legal actions, against the respective debtors. No result from actions is available up to the date of this announcement for justifying the extent of the recoverability of consideration receivables. In the absence of information in relation to the financial status of the debtors on assessing the respective abilities for settlement, the management considered that there is uncertainty on recovering the consideration receivables.

In respect of the loan receivables and interest receivables, the management, after receiving the court order with a result unfavourable to the Group in respect of recovering the loan and interest receivables, provided for an impairment loss of loan receivables of approximately HK\$176,040,000 and an impairment loss of the relevant interest receivables of approximately HK\$39,250,000 for the year ended 31 December 2022. The management could not provide us with sufficient appropriate audit evidence to justify whether the impairment loss of loan receivables and impairment loss of interest receivables should be made in the year ended 31 December 2022 or in the prior years.

2. Provision for repayment obligations

Due to the uncertainties in relation to the civil judgement as disclosed in note 26(ii) to the consolidated financial statements, we have been unable to obtain sufficient appropriate audit evidence for us to assess whether no additional provision has been provided concerning the repayment obligations under the civil judgement as at 31 December 2023 and 31 December 2022 are fairly stated and the profit or loss effect on the additional provision of repayment obligations for the year ended 31 December 2023 and 31 December 2022 are properly reflected.

3. Limited accounting books and records of certain subsidiaries of the Group and the relevant gain on disposal of subsidiaries

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group, namely Qianhai Shitong Supply Chain (Shenzhen) Company Limited and Qianhai Guoxing Finance Lease (Shenzhen) Company Limited (“**Certain Subsidiaries**”) for the period from 1 January 2022 to 30 December 2022 (being the date of disposal of Certain Subsidiaries) (the “**Period Ended 2022**”), we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the Period Ended 2022 and the segment information and other related disclosure notes in relation to certain subsidiaries of the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

(a) Income and expenses:

	<b>For the Period Ended 2022</b> <i>HK\$'000</i>
Impairment losses on loan and interest receivables	(215,290)
Gain on disposal of subsidiaries	<u>7,229</u>
Loss for the year	<u><u>(208,061)</u></u>

(b) Related party transactions and disclosures:

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the Period Ended 2022 in relation to Certain Subsidiaries and their operations as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures as described above points 1 to 3 might have a consequential effect on the Group’s financial performance and cash flows for the years ended 31 December 2023 and 2022 and the financial positions of the Group as at 31 December 2023 and 2022, and the related disclosures thereof in the consolidated financial statements.

*For the year ended 31 December 2022*

We have audited the consolidated financial statements of Enviro Energy International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 86 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**1. Loan receivables, interest receivables, consideration receivables and impairment loss of trade receivables, impairment loss of prepayment for purchase of building materials, impairment loss of loan receivables and interest receivables**

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of consideration receivables of approximately HK\$134,099,000 as at 31 December 2022; as well as loan receivables of approximately HK\$183,540,000, interest receivables of approximately HK\$40,922,000 and consideration receivables of approximately HK\$143,404,000 as at 31 December 2021. In addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriate timing for recognition of (i) the impairment loss of loan receivables of approximately HK\$176,040,000 and (ii) the impairment loss of interest receivables of approximately HK\$39,250,000 for the year ended 31 December 2022; and (i) the impairment loss of trade receivables of approximately HK\$19,665,000 and (ii) impairment loss of prepayment for purchase of building materials of approximately HK\$316,614,000 for the year ended 31 December 2021.

There are no other satisfactory audit procedures that we could adopt to determine whether the above amounts are fairly stated in the consolidated financial statements.

In respect of the consideration receivables, the management is still in the progress of taking various actions, including but not limited to legal actions, against the respective debtors. No result from actions is available up to the date of this report for justifying the extent of the recoverability of consideration receivables. In

the absence of information in relation to the financial status of the debtors on assessing the respective abilities for settlement, the management considered that there is uncertainty on recovering the consideration receivables.

In respect of the loan receivables and interest receivables, the management, after receiving the court order with a result unfavourable to the Group in respect of recovering the loan and interest receivables, provided for an impairment loss of loan receivables of approximately HK\$176,040,000 and an impairment loss of the relevant interest receivables of approximately HK\$39,250,000 for the year ended 31 December 2022. The management could not provide us with sufficient appropriate audit evidence to justify whether the impairment loss of loan receivables and impairment loss of interest receivables should be made in the current year or in the prior years.

## 2. Limited accounting books and records of certain subsidiaries of the Group and the relevant gain on disposal of subsidiaries

In addition to the qualified items stated above, due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group, namely Qianhai Shitong Supply Chain (Shenzhen) Company Limited and Qianhai Guoxing Finance Lease (Shenzhen) Company Limited (“**Certain Subsidiaries**”) for the period from 1 January 2022 to 30 December 2022 (being the date of disposal of Certain Subsidiaries) (the “**Period Ended 2022**”) and for the year ended 31 December 2021, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the Period Ended 2022 and the year ended 31 December 2021, and the assets and liabilities as at 31 December 2021, and the segment information and other related disclosure notes in relation to Certain Subsidiaries as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

### (a) *Income and expenses:*

	<b>For the Period Ended 2022 HK\$'000</b>	<b>For the year ended 31 December 2021 HK\$'000</b>
Impairment losses on trade receivables and prepayment for purchase of building materials	—	(330,908)*
Impairment losses on loan and interest receivables	(215,290)*	—
Gain on disposal of subsidiaries	7,229	—
Loss for the year	<u>(208,061)</u>	<u>(330,908)</u>

\* Included in point (1) of the basis for qualified opinion above

*(b) Assets and liabilities:*

	<b>As at 31 December 2021 HK\$'000</b>
Property, plant and equipment	34
Bank and cash balances	30
Trade and other payables	9,453
Income tax payables	<u>2,562</u>

*(c) Commitments and contingent liabilities:*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to Certain Subsidiaries of the Group and their operations as at 31 December 2021.

*(d) Related party transactions and disclosures:*

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the Period Ended 2022 and the year ended 31 December 2021 as well as balances as at 31 December 2021 in relation to Certain Subsidiaries and their operations as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

**3. Provision for repayment obligations**

Due to the uncertainties in relation to the civil judgement as disclosed in note 25 to the consolidated financial statements, we have been unable to obtain sufficient appropriate evidence for us to assess whether no additional provision has been provided concerning the repayment obligations under the civil judgement as at 31 December 2022 are fairly stated and the profit or loss effect on the additional provision of repayment obligations for the year ended 31 December 2022 are properly reflected.

Any adjustments to the figures as described above points 1 to 3 might have a consequential effect on the Group’s financial performance and cash flows for the years ended 31 December 2022 and 2021 and the financial positions of the Group as at 31 December 2022 and 2021, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*For the year ended 31 December 2021*

We have audited the consolidated financial statements of Enviro Energy International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 65 to 147, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**1. Trade receivables, loan receivables, interest receivables, prepayments, consideration receivables and impairment loss of trade receivables, impairment loss of prepayment for purchase of building materials and interest income from loan receivables**

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of loan receivables of approximately HK\$183,540,000, interest receivables of approximately HK\$40,922,000 and consideration receivables of approximately HK\$143,404,000 as at 31 December 2021; as well as trade receivables of approximately HK\$19,365,000, loan receivables of approximately HK\$178,200,000, interest receivables of approximately HK\$39,731,000, prepayments for purchase of building materials of approximately HK\$311,862,000 and consideration receivables of approximately HK\$139,232,000 as at 31 December 2020. In addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriate timing for recognition of (i) the impairment loss of trade receivables of approximately HK\$19,665,000 and (ii) impairment loss of prepayment for purchase of building materials of approximately HK\$316,614,000 for the year ended 31 December 2021; and interest income from loan receivables of approximately HK\$15,258,000 for the year ended 31 December 2020.

There are no other satisfactory audit procedures that we could adopt to determine whether the above amounts are fairly stated in the consolidated financial statements.

In respect of the loan receivables, interest receivables and consideration receivables, the management is still in the progress of taking various actions, including but not limited to legal actions, against the respective debtors and borrowers. No result from actions is available up to the date of this report for justifying the extent of the recoverabilities of loan receivables, interest receivables and consideration receivables. In the absence of the information in relation to the financial status of the debtors and borrowers on assessing the respective abilities for settlement, the management considered that there is uncertainty on recovering the loan receivables, interest receivables and consideration receivables.

In respect of the trade receivables and prepayments for purchase of building materials, the management, after seeking legal advice in respect of the extent of its respective recoverabilities, provided for an impairment loss of trade receivables of approximately HK\$19,665,000 and impairment loss of prepayment for purchase of building materials of approximately HK\$316,614,000 for the year ended 31 December 2021. The management could not provide to us sufficient appropriate audit evidence to justify whether the impairment loss of trade receivables and impairment loss of prepayment for purchase of building materials should be made in the current year or in the prior years.

## 2. Limited accounting books and records of certain subsidiaries of the Group

In addition to the qualified items stated above, due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group for the year ended 31 December 2021 and 31 December 2020, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2021 and 31 December 2020, and the assets and liabilities as at 31 December 2021 and 31 December 2020, and the segment information and other related disclosure notes in relation to certain subsidiaries of the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

### (a) *Income and expenses:*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	—	5,951
Cost of sales	—	(5,899)
Other gains, net	—	2
Interest income	—	15,258*
Impairment losses of trade receivables and prepayment for purchase of building materials	(330,908)*	—
Administrative and operating expenses	—	(1,105)
Finance costs	—	(7)
Income tax expense	—	—
(Loss)/profit for the year	<u>(330,908)</u>	<u>14,200</u>

\* *Included in qualified item (1) above*

### (b) *Assets and liabilities:*

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	34	33
Bank and cash balances	30	29
Trade and other payables	9,453	9,279
Income tax payables	<u>2,562</u>	<u>2,487</u>

*(c) Commitments and contingent liabilities:*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to certain subsidiaries of the Group and their operations as at 31 December 2021 and 31 December 2020.

*(d) Related party transaction and disclosures:*

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2021 and 31 December 2020 and balances as at 31 December 2021 and 31 December 2020 in relation to certain subsidiaries of the Group and their operations as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures as described above points 1 to 2 might have a consequential effect on the Group’s financial performance and cash flows for the years ended 31 December 2021 and 2020 and the financial positions of the Group as at 31 December 2021 and 2020, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*For the year ended 31 December 2020*

We have audited the consolidated financial statements of Enviro Energy International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 82 to 167, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**1. Trade receivables, loan receivables, interest receivables, prepayments, consideration receivables and interest income from loan receivables**

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of trade receivables of approximately HK\$19,365,000, loan receivables of approximately HK\$178,200,000, interest receivables of approximately HK\$39,731,000, prepayments for purchase of building materials of approximately HK\$311,862,000 and consideration receivables of approximately HK\$139,232,000 as at 31 December 2020; as well as trade receivables of approximately HK\$17,812,000, loan receivables of approximately HK\$167,154,000, interest receivables of approximately HK\$22,468,000, prepayments for purchase of building materials of approximately HK\$292,491,000 and consideration receivables of approximately HK\$130,601,000 as at 31 December 2019. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made and whether the related interest income is properly recorded in the consolidated financial statements for the years ended 31 December 2020 and 2019.

## 2. Limited accounting books and records of certain subsidiaries of the Group

In addition to the qualified items stated above, due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group for the year ended 31 December 2020, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2020, and the assets and liabilities as at 31 December 2020, and the segment information and other related disclosure notes in relation to certain subsidiaries of the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

### (a) *Income and expenses:*

	<b>For the year ended 31 December 2020</b> <i>HK\$'000</i>
Revenue	5,951
Cost of sales	(5,899)
Other gains, net	2
Interest income	15,258*
Administrative and operating expenses	(1,105)
Finance costs	(7)
Income tax expense	—
Profit for the year	<u>14,200</u>

\* *Included in qualified item (1) above.*

### (b) *Assets and liabilities:*

	<b>As at 31 December 2020</b> <i>HK\$'000</i>
Property, plant and equipment	33
Bank and cash balances	29
Trade and other payables	9,279
Income tax payables	<u>2,487</u>

*(c) Commitments and contingent liabilities:*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to certain subsidiaries of the Group and their operations as at 31 December 2020.

*(d) Related party transaction and disclosures:*

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2020 and balances as at 31 December 2020 in relation to certain subsidiaries of the Group and their operations as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures as described above points 1 to 2 might have a consequential effect on the Group’s financial performance and cash flows for the years ended 31 December 2020 and 2019 and the financial positions of the Group as at 31 December 2020 and 2019, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

For further information on view of the management and audit committee of the Company on the qualified opinion, please refer to the Company’s annual reports for the respective financial year.

**Emphasis of matter**

In addition to the qualified opinions above, an emphasis of matter of material uncertainty related to going concern was contained in the auditor's report of ZHONGHUI ANDA CPA Limited for the three financial years ended 31 December 2021, 2022 and 2023, which are extracted as follows:

*For the year ended 31 December 2023*

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of approximately HK\$35.8 million for the year ended 31 December 2023, and as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK\$154.1 million and HK\$63.9 million, respectively. In addition, as at 31 December 2023, the Group's bank and cash balances of approximately HK\$28.0 million is insufficient to cover the current liabilities of approximately HK\$364.5 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*For the year ended 31 December 2022*

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$257.0 million for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK\$166.6 million and HK\$40.2 million, respectively. In addition, as at 31 December 2022, the Group's bank and cash balances of approximately HK\$8.1 million is insufficient to cover the current liabilities of approximately HK\$434.3 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*For the year ended 31 December 2021*

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$357,773,000 for the year ended 31 December 2021. In addition, as at 31 December 2021, the Group's bank and cash balances of approximately HK\$8,898,000 is insufficient to cover the current liabilities of approximately HK\$117,375,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*For the year ended 31 December 2020*

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$25,776,000 for the year ended 31 December 2020. In addition, as at 31 December 2020, the Group's bank and cash balances of approximately HK\$4,027,000 is insufficient to cover the current liabilities of approximately HK\$98,989,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 2. INDEBTEDNESS

As at the close of business on 29 February 2024, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement, the Group had the following indebtedness:

	Unguaranteed		Total
	Secured	Unsecured	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other borrowings and accrued interest	226,458	5,363	231,821
Loan from a fellow subsidiary	—	29,576	29,576
Shareholders' loans	—	11,416	11,416
Loans from related parties	—	3,906	3,906
	226,458	50,261	276,719

Save as disclosed above and normal trade payables during the ordinary course of business, the Group did not, at the close of business on 29 February 2024, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, borrowings or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance, acceptance credits, or any guarantees or other material contingent liabilities.

## 3. MATERIAL CHANGES

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

#### 4. PROPERTY INTERESTS AND ADJUSTED NET ASSET VALUE

For reference only, the adjusted net liability per Share as adjusted by the valuation of all properties of the Group as at 29 February 2024 have been conducted by RHL Appraisal Limited, the independent professional valuer appointed by the Company. The market value of all properties of the Group as at 29 February 2024 was approximately RMB83,900,000 (equivalent to approximately HK\$92,919,000).

By taking into account of the effect of fair value loss attributable to the Group arising from the valuation of all properties of the Group as set out in Appendix II to this circular, set out below is the calculation of the adjusted unaudited consolidated net liabilities of the Company:

	<i>HK\$'000</i>
Audited consolidated net liabilities of the Company as at 31 December 2023	63,884
Adjustment	
— Fair value loss arising from the valuation of the properties of the Group as at 28 February 2024 based on the property valuation report in Appendix II to this circular, calculated based on the difference of (i) the carrying amount of the investment properties of approximately HK\$94,118,000 as at 31 December 2023; and (ii) the valuation of the investment properties of approximately HK\$92,919,000 as at 29 February 2024	<u>1,199</u>
Adjusted audited consolidated net liabilities of the Company	<u><u>65,083</u></u>
Adjusted audited consolidated net liabilities of the Company per Share	<u><u>HK\$0.120</u></u>

*The following is the text of a letter, summary of values and valuation report, prepared for the purpose of incorporation in this Circular received from RHL Appraisal Limited, an independent valuer, in connection with its valuation of the properties held by the Enviro Energy International Holdings Limited, together with its subsidiaries as at February 29, 2024.*



永利行評值顧問有限公司  
**RHL Appraisal Limited**  
Corporate Valuation & Advisory

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Room 1010, 10/F, Star House  
Tsimshatsui, Hong Kong

8 April 2024

**The Board of Directors**  
**Enviro Energy International Holdings Limited**  
20/F,  
No. 9 Des Voeux Road West  
Sheung Wan  
Hong Kong

Dear Sirs/Madam,

## **INSTRUCTIONS**

We refer to your instruction for us to value the properties (the “**Property**”) held by Enviro Energy International Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) located in the People’s Republic of China (the “**PRC**”). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the investment value of the Property as at 29 February 2024 (the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

## BASIS OF VALUATION

Investment value (“**Investment Value**”) is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the value of an asset to a particular owner or prospective owner for individual investment.”

Investment Value “is an entity-specific basis of value that measures the value of the benefits of ownership to the current owner or to a prospective owner, recognizing that these may differ from those of a typical market participant. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, there, does not involve a presumed exchange.”

As the properties is restricted to be freely transferred or disposed of in the open market as at the Valuation Date (please refer to note No. 4 of “**Property Particulars and Opinion of Value**”) by the court. Therefore we adopt the Investment Value as the basis of valuation.

## VALUATION METHODOLOGY

Based on the legal opinion obtained by the Group’s PRC legal adviser, China Commercial Law Firm (華商律師), dated 5 April 2024, the Property was sealed (查封) by the People’s Court and awaiting to be sealed (輪侯查封) by the Public Security Bureau which restricted the transfer or disposal of the Property in the open market. As at the Valuation Date, the Property was still sealed (查封) by the People’s Court and awaiting to be sealed (輪侯查封) by the Public Security Bureau. Accordingly, market approach which under assumption that the properties can be transacted in the open market may not be proper to be adopted.

Further based on the legal opinion, as the Property is legally held by the Group as at the Valuation Date, and despite the Property is sealed (查封) by the People’s Court and awaiting to be sealed (輪侯查封) by the Public Security Bureau, the act of seizure itself does not affect the validity of the existing lease agreements under the Property, but the lease agreements themselves should not be used against the plaintiff. Accordingly, the existing leases of the Property entered into between the Group and the leasees and their respective rental income are directly attributable to the Property as at the Valuation Date regardless of the restriction on transfer and disposal of the Property. As market approach may not be proper to be adopted, income approach is considered to be the most suitable, appropriate and common approach in accordance with the valuation standards and methods widely accepted by the valuation profession when estimating investment value of the Property as at the Valuation Date.

Term and Reversion Analysis is a common and suitable technique for the valuation of the properties subject to existing tenancies. This technique is used when the passing rent of a property differs from the market rent. It estimates the capital value of a property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level.

In Term and Reversion Analysis, the total rental income of a property is divided into the current passing rental income over the existing lease term, namely the term income, and the potential reversionary rental income after the expiry of the existing lease term, known as the reversionary income. The term value involves the capitalisation of the term income over the existing lease term. The reversionary value involves the capitalisation of the reversionary income after the expiry of existing lease term until the land expiry date and it is then discounted back to the valuation date.

**VALUATION CONSIDERATIONS**

In valuing the Property, we have complied with all the requirements contained in Chapter 5, Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission and the International Valuation Standards 2022.

**VALUATION ASSUMPTION**

In our valuation, unless otherwise stated, we have assumed that:

- i. no deleterious or hazardous materials or techniques have been used in the construction of the Property;
- ii. as no tests were carried out on any of the services during our site inspection, we have assumed the Property is connected to main services and sewers which are available on normal terms; and
- iii. the cost of repairs and maintenance to the buildings of which the Property forms part are shared among all owners of the building, and that there are no onerous liabilities outstanding.

**TITLE INVESTIGATION**

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal adviser, China Commercial Law Firm, concerning the real estate ownership of the Property.

**LIMITING CONDITIONS**

We have conducted on-site inspections in February 2024 by Mr. Fan Chuanpeng who has over 9 years of experience in property valuation.

During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that any contamination, subsidence or other latent defect exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not

limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Property.

### POTENTIAL TAX LIABILITY

As advised by the Group, if the Property is to be sold, major potential tax liabilities include:

- VAT (5% to 9%)
- Land appreciation tax at progressive tax rates from 30% to 60%
- Stamp duty around 0.05%
- Deed tax around 3%

### REMARKS

We have adopted the exchange rate of 1 RMB to 1.1075 Hong Kong Dollar. We have valued all the properties in Renminbi (RMB) and Hong Kong Dollar (HKD).

We enclose herewith the summary of values and the “Property Particulars and Opinion of Value”.

**Jessie X. Chen**  
*MRICS, MSc (Real Estate), BEcon*  
**Senior Associate Director**

**Jenny S. L. Mok**  
*MHKIS, MRICS, BSc (Hons)*  
**Senior Manager**

*Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.*

*Ms. Jenny S. L. Mok is a Chartered Surveyor with over 10 years' experience in valuation of properties in HKSAR and mainland China. Ms. Mok is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.*

## SUMMARY OF VALUES

No.	Property	Investment Value as at 29 February 2024 RMB
1.	<p>Various retail shops located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The PRC</p> <p>位於中華人民共和國遼寧省營口市鮫魚圈區遼海商業街 之多個商鋪</p>	<p>34,000,000 (HK\$37,655,000)</p>
2.	<p>Kunlun Building (used to be known as Wuzi Composite Building), North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC</p> <p>中華人民共和國遼寧省營口市鮫魚圈區黃河路北昆侖大 廈（也稱為「物資綜合大廈」）</p>	<p>49,900,000 (HK\$55,264,000)</p>
<b>Total:</b>		<b>83,900,000 (HK\$92,919,000)</b>

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Investment Value as at 29 February 2024 RMB
1.	Various retail shops located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The PRC  位於 中華人民共和國 遼寧省 營口市 鮫魚圈區 遼海商業街 之多個商舖	The property comprises 23 retail shops in two 4-storey commercial buildings completed in about 2015 erected on a parcel of land with a site area of approximately 10,364.00 sq.m. (111,557 sq.ft.).  The total gross floor area of the property is approximately 7,890.93 sq.m. (84,741 sq.ft.) with details as follows:  <b>Floor</b>	Portion of the property with a total gross floor area of approximately 4,762.50 sq.m. is subject to various tenancy agreements with a total annual rental income of approximately RMB454,490 which the latest one expiring on 4 December 2029, while the remaining portion with a total gross floor area of 3,128.43 sq.m. is vacant.	34,000,000 (RENMINBI THIRTY FOUR MILLION ONLY)  100% interest attributed to the Group: RMB34,000,000
			<b>Approx. GFA (sq.m.)</b>	
		1/F	1,877.49	
		2/F	1,877.49	
		3/F	2,549.51	
		4/F	1,586.44	
		<b>Total</b>	<b>7,890.93</b>	
		The land use rights of the property have been granted for a term expiring on 7 December 2082 for residential use.		

## Notes:

- Pursuant to two State-owned Land Use Rights Certificates — Ying Kou Guo Yong (2013) No. 6003 and 6004 (營口國用(2013)第6003號-6004號) dated 8 January 2013, the land use rights of Liaohai Garden with a site area of 10,364.00 sq.m. have been granted for a term of 70 years expiring on 7 December 2082 for residential use. The Land Use Rights Certificates was held under Yingkou Liao Hai Real Estate Development Co., Ltd. (營口遼海房地產開發有限公司) because it was for the whole site where the development, of which the properties located within, erected on. After issuance of building ownership certificate of individual units (see below), the land use right has been allocated to respective portion of the development. We have relied on this for the land use right tenure.
- Pursuant to 23 Real Estate Title Certificates — Fang Quan Zheng Xiong Zi No. 20151200961 (房權證熊字第20151200961號,下同), Nos. 20151200965-20151200969, No. 20151200971, No. 20151200972, No. 20151200974, No. 20151200975, No. 20151200978, No. 20151200980, No. 20151200983, No. 20151200986, No. 20151200988, No. 20151200991, No. 20151200994, No. 20151200995, No. 20151200997, No. 20151200999 and Nos. 20151201001-20151201003 dated 31 December 2015, the ownership of the property with a total gross floor area of approximately 7,890.93 sq.m., has been vested in Huan Neng International Trading (Yingkou) Co., Ltd (環能國際貿易(營口)有限公司) (“Huan Neng Yingkou”), a wholly owned subsidiary of the Company, for commercial use.

3. In the course of valuation, we have considered and analysed rental comparables in the same district of Bayuquan. These comparables are adopted as they are considered relevant to the property in terms of usage, physical and locational attributes. The unit rents of the adopted comparables range from RMB18.1 to RMB19.6 per sq.m. per month on the basis of gross floor area. The unit rents adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustment in terms of different attributes. The parameters adopted in our valuation are listed below:

Term Yield:	3%
Reversionary Yield:	3.5%
Market Rent:	RMB19 per sq.m. per month on the basis of gross floor area
Vacancy Rate:	5%

4. Refer to the legal opinion by the Group's PRC legal adviser, China Commercial Law Firm (華商律師), dated 5 April 2024, regarding the legal title of the property as at the date of the legal opinion, which contains, inter alia, the followings:
- i. the property is legally held by Huan Neng Yingkou;
  - ii. the property is subject to a mortgage in favour of Yingkou Coastal Bank (營口沿海銀行);
  - iii. the ownership of the property as at the valuation date was sealed (查封) by the People's Court and awaiting to be sealed (輪候查封) by the Public Security Bureau therefore the property cannot be freely transferred or disposed of in the market; and
  - iv. if Huan Neng Yingkou fail to fulfill the obligations determined by the legal instruction in accordance with the execution notice, the relevant court have the right to dispose the property by the way of auction, sale, etc and use the proceeds to pay off Huan Neng Yingkou related debts.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Investment Value as at 29 February 2024 RMB																																										
2.	Kunlun Building (used to be known as Wuzi Composite Building), North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC  中華人民共和國 遼寧省 營口市 鮫魚圈區 黃河路北 昆侖大廈 (也稱為「物資綜合大廈」)	The property comprises a twelve-storey composite building erected on a parcel of land with a total site area of approximately 4,320.00 sq.m. (46,500 sq.ft).  The property was built in around 1995 while the major refurbishment was completed in May 2016.  The total gross floor area of the property is approximately 17,800 sq.m. (191,598 sq.ft.) with details as below:	Portion of the property with a total gross floor area of approximately 4,562.52 sq.m. is subject to various tenancy agreements with a total annual rental income of approximately RMB623,636 which the latest one expiring on 31 May 2028, while the remaining portion with a total gross floor area of 13,237.48 sq.m. is vacant.	49,900,000 (RENMINBI FORTY NINE MILLION AND NINE HUNDRED THOUSAND ONLY)  100% interest attributed to the Group: RMB49,900,000																																										
		<table border="1"> <thead> <tr> <th>Floor</th> <th>Usage</th> <th>Approx. GFA (sq.m.)</th> </tr> </thead> <tbody> <tr><td>1/F</td><td>Retail</td><td>2,231.78</td></tr> <tr><td>2/F</td><td>Retail</td><td>2,405.13</td></tr> <tr><td>3/F</td><td>Retail</td><td>2,354.22</td></tr> <tr><td>4/F</td><td>Office</td><td>1,343.80</td></tr> <tr><td>5/F</td><td>Office</td><td>1,343.80</td></tr> <tr><td>6/F</td><td>Office</td><td>1,354.26</td></tr> <tr><td>7/F</td><td>Office</td><td>1,354.26</td></tr> <tr><td>8/F</td><td>Office</td><td>1,354.26</td></tr> <tr><td>9/F</td><td>Office</td><td>1,354.26</td></tr> <tr><td>10/F</td><td>Office</td><td>1,308.61</td></tr> <tr><td>11/F</td><td>Office</td><td>820.84</td></tr> <tr><td>12/F</td><td>Office</td><td>574.77</td></tr> <tr> <td><b>Total</b></td> <td></td> <td><b>17,800.00</b></td> </tr> </tbody> </table>	Floor	Usage	Approx. GFA (sq.m.)	1/F	Retail	2,231.78	2/F	Retail	2,405.13	3/F	Retail	2,354.22	4/F	Office	1,343.80	5/F	Office	1,343.80	6/F	Office	1,354.26	7/F	Office	1,354.26	8/F	Office	1,354.26	9/F	Office	1,354.26	10/F	Office	1,308.61	11/F	Office	820.84	12/F	Office	574.77	<b>Total</b>		<b>17,800.00</b>		
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<b>Total</b>		<b>17,800.00</b>																																												

The land use rights of the property have been granted for a term expiring on 1 June 2033 for composite use.

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate — Ying Kou Guo Yong (2014) Di No. 5080 (營口國用(2014)第5080號) dated 5 September 2015, the land use rights of the property with a site area of 4,320.00 sq.m. have been granted to Liaoning Taoqibao Shopping Mall Management Co., Ltd. (遼寧淘氣寶商城管理有限公司) (“**Liaoning Taoqibao**”), a wholly-owned subsidiary of the Company, for a term expiring on June 2033 for composite use.
2. Pursuant to a Real Estate Title Certificate — Ba Fang Quan Zheng Zi Di No. 00522737 (鹹房權證字第00522737號) dated 26 August 2014, the ownership of the property with a total gross floor area of approximately 17,800.00 sq.m., has been vested in Liaoning Taoqibao for other uses.
3. For Term and Reversion Analysis, we have considered and analysed rental comparables of retail and office units in the same district of Bayuquan. These comparables are adopted as they are considered relevant to the property in terms of usage, physical and locational attributes. The unit rents of the adopted retail comparables range from RMB67.9 to RMB80.6 per sq.m. per month on the basis of gross floor area, and the unit rents of the adopted office comparables range from RMB14.9 to RMB19.2 per sq.m. per month on the basis of gross floor area. The unit rents adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustment in terms of different attributes. The parameters adopted in our valuation are listed below:
 

Term Yield:	2%
Reversionary Yield:	3%
Market Rent:	Retail: RMB72.9 per sq.m. per month on the basis of gross floor area
	Office: RMB16.9 per sq.m. per month on the basis of gross floor area
Vacancy Rate:	5%
4. Refer to the legal opinion by the Group’s PRC legal adviser, China Commercial Law Firm (華商律師), dated 5 April 2024, regarding the legal title of the property as at the date of the legal opinion, which contains, inter alia, the followings:
  - i. the property is legally held by Liaoning Taoqibao;
  - ii. the property is subject to a mortgage in favour of Yingkou Coastal Bank (營口沿海銀行);
  - iii. the ownership of the property as at the valuation date was sealed (查封) by the People’s Court and awaiting to be sealed (輪候查封) by the Public Security Bureau therefore the property cannot be freely transferred or disposed of in the market; and
  - iv. if Liaoning Taoqibao fail to fulfill the obligations determined by the legal instruction in accordance with the execution notice, the relevant court have the right to dispose the property by the way of auction, sale, etc and use the proceeds to pay off Liaoning Taoqibao related debts.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Settlement Agreement, the Whitewash Waiver and the Company.

As at the Latest Practicable Date, the Board comprises four executive Directors, namely Mr. Li Gang (Chairman), Mr. Pan, Mr. Jiang Senlin and Mr. Cao Zhongshu; and three independent non-executive Directors, namely Mr. Zhong Jian, Mr. Pan Yongye and Mr. Liu Qin.

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and Shares to be issued upon the completion of the Proposed Conversion of the Convertible Bonds were and will be as follows:

	Number of Shares	Nominal value HK\$
<b>Authorised:</b>		
As at the Latest Practicable Date	<u>1,000,000,000</u>	<u>50,000,000</u>
<b>Issued and fully paid:</b>		
As at the Latest Practicable Date	542,392,207	27,119,610
Capitalisation Shares to be issued	<u>896,993,536</u>	<u>44,849,677</u>
Upon the completion of the Debt Capitalisation	<u>1,439,385,743</u>	<u>71,969,287</u>

All the issued Shares rank *pari passu* in all respects with each other, including, as to dividends, voting rights and return of capital. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

The Capitalisation Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Capitalisation Shares.

Since 31 December 2023 (the date to which the latest published audited financial statements of the Company were made up), and up to the Latest Practicable Date, no new Shares had been issued by the Company and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares.

There has been no alteration in the issued capital of the Company since 31 December 2023 (the date to which the latest published audited financial statements of the Company were made up).

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into Shares.

### 3. DISCLOSURE OF INTERESTS

#### (1) Interests of Directors

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware of, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to be notified to the Company and the Stock Exchange set out in Appendix 14 of the Listing Rules; or (d) required to be disclosed under the Takeovers Code were as follows:

Name of Director	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Li Gang ( <i>Note 1</i> )	Interest of controlled corporation	112,789,766	20.79%
Mr. Pan	Beneficial owner	33,112,281	6.11%

*Note:*

1. WIIHL is owned by Hua Zhi Investment Limited as to 58.44%, which is owned by Mr. Li Gang as to 53.37%. Mr. Li Gang was deemed to be interested in the 112,789,766 shares of the Company held by WIIHL by reason of interests of controlled corporations within the meaning of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or required to be disclosed under the Takeovers Code.

## (2) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO, the interests or long positions of persons in the Shares and underlying Shares of the Company were as follows:

Name of Director	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Li Gang ( <i>Note 1</i> )	Interest of controlled corporation	112,789,766	20.79%
WIIHL ( <i>Note 1</i> )	Beneficial owner	112,789,766	20.79%
Mr. Pan	Beneficial owner	33,112,281	6.11%
Executive Success Limited	Beneficial owner	28,142,920	5.19%

*Note:*

1. WIIHL is owned by Hua Zhi Investment Limited as to 58.44%, which is owned by Mr. Li Gang as to 53.37%. Mr. Li Gang was deemed to be interested in the 112,789,766 shares of the Company held by WIIHL by reason of interests of controlled corporations within the meaning of Part XV of the SFO.

#### 4. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the period commencing on the date falling six months preceding 7 February 2024, being the date of the Announcement, up to and including the Latest Practicable Date (the “**Relevant Period**”); (ii) on the last Business Day immediately preceding the date of the Announcement; and (iii) on the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
31 July 2023	0.063
31 August 2023	0.050
29 September 2023	0.048
31 October 2023	0.049
30 November 2023	0.038
29 December 2023	0.049
25 January 2024 (being the last trading day immediately preceding the date of the Announcement)	0.056
31 January 2024	0.056
28 February 2024	0.124
28 March 2024	0.090
5 April 2024 (being the Latest Practicable Date)	0.081

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.16 on 26 February 2024 and HK\$0.034 on 20 and 21 November 2023 and 5 and 8 January 2024, respectively.

#### 5. DIRECTORS’ OTHER INTERESTS

As at the Latest Practicable Date, no Director was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Save for the Settlement Agreement, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and significant to the business of the Group.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company or any of its subsidiaries or associated companies (as defined under the Takeovers Code), which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 7. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which was significant to the business of the Group.

## 8. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the Company and/or members of the Group and is or may be material to the Group:

- (i) a sale and purchase agreement dated 28 June 2022 entered into between the Company as the purchaser, and Zhejiang Zhongnan Construction Group Company Limited and Zhejiang Zhongnan Cultural Tourism Group Company Limited as the vendors, pursuant to which the Company has conditionally agreed to acquire and the vendors has conditionally agreed to sell, the entire issued shares of a company to be incorporated which will hold the entire equity interest of Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd, at a consideration of RMB30 million. As certain conditions precedent under the sale and purchase agreement have not been fulfilled or waived before 30 September 2022, the sale and purchase agreement was lapsed on 30 September 2022;
- (ii) a sale and purchase agreement dated 31 October 2022 entered into between the Company as the vendor and Hong Kong Headline Big Data Company Limited as the purchaser, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the entire issued shares of Sincere Venture Limited at a consideration of HK\$1;

- (iii) a sale and purchase agreement dated 31 October 2022 entered into between Enviro Energy Financial Group Holdings Limited, an indirect wholly-owned subsidiary of the Company, as the vendor and Hong Kong Headline Big Data Company Limited as the purchaser, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the entire issued shares of Heryd International Trade Co., Limited at a consideration of HK\$1; and
- (iv) the Settlement Agreement.

## 9. MATERIAL LITIGATION

On 16 January and 27 March 2019, two wholly-owned subsidiaries of the Group (the “**Yingkou Subsidiaries**”) entered into certain loan agreements (the “**Original Loan Agreements**”) with a bank in the PRC (the “**Bank**”), pursuant to which the Bank shall provide loans with an aggregate principal of RMB162.0 million (the “**Original Loan**”) to the Yingkou Subsidiaries which carry interest rate ranging from 9.0045% to 9.5265% per annum and was secured by the investment properties held by the Yingkou Subsidiaries (the “**Yingkou Properties**”). The respective Original Loan and the respective accrued interests became overdue on 21 December 2019 and 21 January 2020 respectively.

On 3 March 2020, the Bank assigned its entire rights over the Original Loan to an independent third party (the “**Lender A**”) at an aggregate consideration of approximately RMB166.6 million (the “**Lender A Receivables**”). On 18 August 2020, Lender A assigned its entire rights over the Lender A Receivables to another independent third party (the “**Lender B**”) at an aggregate consideration of approximately RMB176.8 million.

On 31 August 2020, the Yingkou Subsidiaries entered into two agreements with Lender B (the “**Extended Loan Agreements**”), pursuant to which (i) the balance of the Original Loan and accrued interest as at 18 August 2020 shall amount to approximately RMB176.8 million, which the Lender B is entitled to the rights of such receivable from the Yingkou Subsidiaries; (ii) the Lender B shall extend the repayment date of such RMB176.8 million (the “**Extended Loan**”) by the Yingkou Subsidiaries to 17 August 2023, and the Extended Loan shall carry an interest rate of 5%.

During the year ended 31 December 2022, the Group received a civil judgment pursuant to which the Bank claimed against Lender A, Yingkou Subsidiaries and other defendants for the repayment of outstanding loans and interests due to defaulting on certain loan agreements between the Bank and Lender A (the “**Dispute Loan Agreements**”). According to the civil judgement, it was adjudged that Yingkou Subsidiaries are obliged to repay the relevant outstanding loans and interests upon Lender A defaulting on the Dispute Loan Agreements due to the fact that Lender A pledged the rights to Lender A Receivables to the Bank for the Dispute Loan Agreements.

Accordingly, Yingkou Subsidiaries shall repay the outstanding loans and respective interest under Extended Loan Agreements to the Bank instead of Lender B. Should the judgement debts borne by the Group less than the aforesaid repayment amount under Extended Loan Agreements, the remaining amount shall be repaid to Lender B.

As at 31 December 2022, the total outstanding loans and interests amounted to approximately RMB233.2 million (equivalent to approximately HK\$266.8 million), being the obligation indebted by the Group to the Bank under the civil judgement, which was fully reflected in the Group's consolidated financial statements for the year ended 31 December 2022. As at 31 December 2023, the total outstanding loans and interests amounted to approximately RMB251.3 million (equivalent to approximately HK\$279.5 million), which was reflected in the Group's consolidated financial statements for the year ended 31 December 2023.

As at 31 December 2023, the Yingkou Properties with a carrying amount of HK\$94.1 million (31 December 2022: HK\$126.4 million) are sealed (查封) by the People's Court and awaiting to be sealed (輪候查封) by the Public Security Bureau as at the Latest Practicable Date. Based on the PRC legal opinion obtained by the Company, (i) the Yingkou Properties are legally owned by the Yingkou Subsidiaries; and (ii) the transfer of ownership on the Yingkou Properties is restricted. As advised by the PRC legal adviser of the Company, as the Yingkou Properties are first sealed by the People's Court, the status of "awaiting to be sealed (輪候查封)" by the Public Security Bureau represented the Yingkou Properties will be sealed (查封) by the Public Security Bureau in the event the seal by the People's Court is lifted. The Bank may also apply to the People's Court to put the Yingkou Properties up for auction for the settlement of the Group's aforementioned repayment obligations to the Bank, and should the proceeds from such auction exceed the Group's repayment obligations to the Bank, the Public Security Bureau will then be entitled to remaining proceeds given its "awaiting to be sealed (輪候查封)" status.

Further based on the legal opinion, the act of seizure itself does not affect the validity of the existing lease agreements under the Yingkou Properties entered into between the Group and the lessees. Nevertheless, as further advised by the PRC legal adviser of the Company, the Bank may apply to the People's Court for the right of receiving any income generated from the Yingkou Properties. In the event the Bank applies for such right and the People's Court grants such consent, any income received from the Yingkou Properties should be directed to the Bank. As at the Latest Practicable Date, the Bank has not applied to the People's Court for such rights. In addition, the staff of the Group and the tenants of the Yingkou Properties continued to have access to the Yingkou Properties based on the respective existing lease agreements up to the Latest Practicable Date. Accordingly, the Group continues to receive rental income from the tenants of the Yingkou Properties and recognise such rental income in the consolidated financial statements of the Company which was reflected in the Group's consolidated financial statements for the year ended 31 December 2023.

Save for the above, as at the Latest Practicable Date, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

**10. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**11. EXPERT AND CONSENT**

The following is the qualification of the expert who has been named in this circular and has given opinions and advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Grand Moore Capital Limited	A licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
RHL Appraisal Limited	Independent valuer

Grand Moore Capital and RHL Appraisal Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, Grand Moore Capital and RHL Appraisal Limited did not have had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

Grand Moore Capital and RHL Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter or the references to its name in the form and context in which it appears respectively.

**12. GENERAL**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal member of the WIFHL's concert group is WIFHL. The registered address of WIFHL is at Room 08-09, 45/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. WIFHL is 55.95% owned by Hua Zhi Investment Limited, which is in turn owned as to 56.21% by Mr. Li Gang, 29.95% by Mr. Wang Shengkun, 11.98% by Ms. Lu Qing and 1.86% by Mr. Feng Dafu. Ms. Zhang Xiaomei, the spouse of Mr. Li Gang, is the sole director of WIFHL and Hua Zhi Investment Limited.
- (c) The secretary of the Company is Mr. Ng Yu Ho.
- (d) The head office and principal place of business of the Company in Hong Kong is situated at 20/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong.
- (e) The Company's principal share registrar and transfer office in Cayman Islands is SMP Partners (Cayman) Limited at 3rd Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (g) The financial adviser to the Company is Donvex Capital Limited and its registered office is situated at Unit 2502, 25/F, Carpo Commercial Building, 18-20 Lyndhurst Terrace, Central, Hong Kong.
- (h) The Independent Financial Adviser is Grand Moore Capital and its registered office is situated at Unit 1401,14/F, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (i) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**13. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (i) on the website of the Company ([www.enviro-energy.com.hk](http://www.enviro-energy.com.hk)); (ii) on the website of the Securities and Futures Commission ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (i) the memorandum of association and the bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2021 and 2022 and the 2023 Annual Results;
- (iii) the written consent referred to under the paragraph headed “11. Experts and Consent” in this Appendix;
- (iv) the Letter from the Board, the text of which is set out on pages 6 to 24 of this circular;
- (v) the Letter from Grand Moore Capital, the text of which is set out in this circular;
- (vi) the Letter from the Independent Board Committee, the text of which is set out in this circular;
- (vii) the report from the valuer, the text of which is set out in Appendix II to this circular;
- (viii) the material contracts referred to under the paragraph headed “8. Material Contracts” in this Appendix; and
- (ix) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



**Enviro Energy International Holdings Limited**

環能國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1102)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of shareholders of Enviro Energy International Holdings Limited (the “**Company**”) will be held at 20/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 2 May 2024 at 3:00 p.m., to consider and, if thought fit, to pass with or without amendments, the following resolution as ordinary resolution and special resolution of the Company:

**ORDINARY RESOLUTION**

1. **“THAT**

- (a) the authorised share capital of the Company from HK\$50,000,000 divided into 1,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each by creating an additional 9,000,000,000 Shares and such Shares shall rank *pari passu* with all existing Shares and that the Directors be and are hereby generally and unconditionally authorised to prepare and execute all documents and to do all things as they consider necessary, expedient and appropriate to effect and implement the same (the “**Increase in Authorised Share Capital**”); and
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/ are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”

2. **“THAT** conditional upon the passing of the resolution numbered 1 as set out above and subject to the conditions set out in the letter from the board under the heading “Conditions precedent” in the circular of the Company dated 8 April 2024 (the “**Circular**”):

- (a) the agreement dated 25 January 2024 (the “**Settlement Agreement**”) entered into between the Company and the Creditors in relation to the Debt Capitalisation (as defined in the Circular) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;

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- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Capitalisation Shares (as defined in the Circular), the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue the Capitalisation Shares subject to the terms of the Settlement Agreement, with such Specific Mandate being in addition to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
- (c) any one of the Directors be and is hereby authorised to do all such acts and things and sign, execute and deliver all documents (including affixing the common seal of the Company if appropriate) he or she considers necessary, desirable or expedient to give effect to the Settlement Agreement and the transactions contemplated thereunder.”

### SPECIAL RESOLUTION

3. “**THAT** the waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of WIFHL and its concert parties, to make a mandatory general offer to shareholders of Company for all the issued shares of the Company not already owned or agreed to be acquired by them upon completion of the Settlement Agreement be and is hereby approved and that the Directors be and are generally and unconditionally authorised to prepare and execute all documents and to do all such other things as they consider necessary, expedient and appropriate to give effect to any matters relating to, or incidental to, the Whitewash Waiver.”

Yours faithfully  
By order of the Board  
**Enviro Energy International Holdings Limited**  
**Li Gang**  
*Chairman and Executive Director*

Hong Kong, 8 April 2024

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and to vote on his behalf. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

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3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.
4. 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, and in such event, the instrument appointing the proxy shall be deemed to be revoked.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In order to be qualified to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 April 2024. The register of members of the Company will be closed from Friday, 26 April 2024 to Thursday, 2 May 2024, both days inclusive, during which period no transfer of shares will be registered.
7. The voting at the EGM shall be taken by way of poll.