**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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



# UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
# 環球實業科技控股有限公司

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

**(Stock Code: 1026)**

# (1) MAJOR DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 49% OF THE EQUITY INTEREST IN QINGHUI PROPERTIES LIMITED; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial Adviser to the Company**

ASTRUM

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

紅日資本有限公司
RED SUN CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 23 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 24 to 52 of this circular.

A notice convening the EGM to be held on Tuesday, 29 September 2026 at 11:00 a.m. at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

* *For identification purpose only*

25 August 2026

# CONTENTS

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

| | |
|---|---|
| "Affluent Vast" | Affluent Vast Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Ms. Zhu |
| "Announcement" | the announcement of the Company dated 5 June 2026 in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder |
| "associate(s)" | having the meaning ascribed to it in the Listing Rules |
| "Board" | the board of Directors |
| "Company" | Universal Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1026) |
| "Completion" | completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement |
| "Completion Date" | the date of Completion, being the date within six weeks after the satisfaction of the Conditions, or such later date as may be agreed by the parties in writing prior to Completion |
| "Conditions" | the conditions precedent to Completion as contained in the Sale and Purchase Agreement and summarized in the sub-paragraph headed "Conditions Precedent" under the section headed "THE SALE AND PURCHASE AGREEMENT" of this circular |
| "connected person(s)" | having the meaning ascribed to it in the Listing Rules |
| "Consideration" | the total consideration in respect of the Disposal in the amount of RMB8.5 million (equivalent to approximately HK$9.8 million) payable by the Purchaser to the Vendor in cash at Completion |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to, and (where applicable) the transactions contemplated by, the Sale and Purchase Agreement |

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| "Disposal Resolution" | the resolution to be proposed and put to vote by the Independent Shareholders at the EGM approving, among other things, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder |
| "Dongguan Yuhe" | 東莞市裕和實業有限公司 (Dongguan Yuhe Industrial Co., Ltd.*), a company incorporated in the PRC with limited liability owned as to 20% by Ms. Zhu and 80% by Mr. Yang |
| "Eastcorp" | Eastcorp International Limited (博舜國際有限公司), a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Ever City |
| "EGM" | the extraordinary general meeting of the Company to be held on Tuesday, 29 September 2026 at 11:00 a.m. at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong for the Independent Shareholders to considering and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder |
| "Ever City" | Ever City Industrial Development Limited (永城實業發展有限公司), a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Affluent Vast |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent board committee of the Company, comprising all independent non-executive Directors, namely, Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai, which was established by the Board for the purpose of advising the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and make recommendations as to voting |

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| "Independent Financial Adviser" or "Red Sun" | Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and make recommendations as to voting |
| "Independent Shareholder(s)" | Shareholders other than Ms. Zhu and her associates, including Ever City and Eastcorp |
| "Independent Valuer" | Valplus Consulting Limited, an independent professional valuer |
| "Latest Practicable Date" | 19 August 2026, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | the long stop date for the fulfillment or waiver of the Conditions, which was originally fixed for 31 August 2026 pursuant to the Sale and Purchase Agreement but subsequently extended to 30 September 2026 (or such later date as the parties may agree in writing) pursuant to the Supplemental Agreement |
| "Mr. Yang" | Mr. Yang Zhimao (楊志茂), being the spouse of Ms. Zhu |
| "Ms. Zhu" | Ms. Zhu Fenglian (朱鳳廉), an executive Director and a substantial Shareholder |
| "PRC" | the People's Republic of China |
| "Purchaser" | 東莞市弘舜劭和發展股份有限公司 (Dongguan Hongshun Shaohe Development Co., Ltd.*), a joint stock limited company incorporated in the PRC |
| "Remaining Group" | all the companies under the Group excluding the Target Group |

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| "Remaining Water Group" | all the companies engaged in the water supply business under the Group excluding the Target Group |
| "Sale and Purchase Agreement" | the sale and purchase agreement dated 5 June 2026 entered into between the Company, the Vendor, the Purchaser and the Target Company in relation to the Disposal, as supplemented by the Supplemental Agreement (where the context requires) |
| "Sale Shares" | 49% of the equity interest of the Target Company owned by the Vendor prior to the Disposal |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the issued share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supplemental Agreement" | the supplemental agreement dated 4 August 2026 entered into between the Company, the Vendor, the Purchaser and the Target Company to extend the Long Stop Date from 31 August 2026 to 30 September 2026 (or such later date as the parties may agree in writing) |
| "Target Company" | Qinghui Properties Limited（東莞市擎琿置業有限公司）, a company incorporated in the PRC with limited liability, which is owned as to 49% by the Vendor and as to 51% by the Purchaser |
| "Target Group" | the Target Company and its subsidiaries |
| "Valuation" | the valuation of the fair value of 49% of the equity interest of the Target Company as at 31 December 2025 conducted by the Independent Valuer |
| "Vendor" | 深圳市環業環球科技有限公司 (Shenzhen Huanye Universal Technologies Limited*), an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability |
| "WSD Company" | 清遠市供水拓展有限責任公司 (Qingyuan Water Supply Development Company Limited*), a direct wholly-owned subsidiary of the Target Company incorporated in the PRC with limited liability |

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| "WT Company" | 清遠市錦誠水質檢測有限公司 (Qingyuan Jincheng Water Testing Company Limited*), an indirect wholly-owned subsidiary of the Target Company incorporated in the PRC with limited liability |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "%" | per cent |

In this circular, amounts denominated in RMB have been converted into HK$ at the exchange rates of: (i) HK$100 = RMB86.4727 for figures prevailing as at the present date; and (ii) HK$100 = RMB89.9944 for figures prevailing as at 31 December 2025. No representation is made that any amounts in RMB were, could be or could have been converted into HK$ at such rates or at all at any rates.

# UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
# 環球實業科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1026)**

*Executive Directors:*
Mr. Chen Jinyang *(Chairman and Chief Executive Officer)*
Ms. Zhu Fenglian
Mr. Xuan Zhensheng

*Non-executive Directors:*
Mr. Chen Lang

*Independent non-executive Directors:*
Mr. Yeung Kin Chung Clifton, M.H.
Mr. Chao Pao Shu George
Mr. Chai Chung Wai

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

*Head office and principal place of business:*
Room A & B2, 11th Floor
Guangdong Investment Tower
No. 148 Connaught Road Central
Sheung Wan, Hong Kong

25 August 2026

*To the Shareholders*

Dear Sir or Madam,

## MAJOR DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 49% OF THE EQUITY INTEREST IN QINGHUI PROPERTIES LIMITED

## INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

On 5 June 2026 (after trading hours of the Stock Exchange), the Company, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares for the Consideration of RMB8.5 million (equivalent to approximately HK$9.8 million). On 4 August 2026, the Company, the Vendor, the Purchaser and the Target Company entered into the Supplemental Agreement to extend the Long Stop Date from 31 August 2026 to 30 September 2026 (or such later date as the parties may agree in writing).

The purpose of this circular is to give you, among other things, (i) the details of the Disposal; (ii) the financial information of the Group; (iii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Disposal; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; (v) other information as required under the Listing Rules; and (vi) the notice of the EGM.

**THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are summarized as below:

**Date:** 5 June 2026 (as supplemented by the Supplemental Agreement dated 4 August 2026)

**Parties:**

(1) the Company;

(2) the Vendor;

(3) the Purchaser; and

(4) the Target Company.

As at the Latest Practicable Date, (i) the Target Company is owned as to 49% by the Vendor and as to 51% by the Purchaser; (ii) the Vendor is a company incorporated in the PRC with limited liability whose scope of business includes the provision of consultancy services, and an indirect wholly-owned subsidiary of the Company acting as the holding company of various PRC entities of the Group; (iii) the Purchaser is a joint stock limited company incorporated in the PRC whose scope of business includes investment and the provision of consultancy services, and is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse Mr. Yang; and (iv) Ms. Zhu is an executive Director and, through her controlled corporations Affluent Vast, Ever City and Eastcorp, is a substantial Shareholder deemed to be interested in 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company.

**Subject Matter**

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares for the Consideration of RMB8.5 million (equivalent to approximately HK$9.8 million).

As at the Latest Practicable Date, the Target Group is principally engaged in the supply of pipelined water in Qingcheng District of Qingyuan City, Guangdong Province, the PRC, together with related customer services such as water quality inspection, water pipe repairs and maintenance, and water meter maintenance and replacement.

**Consideration**

The Consideration for the Disposal is RMB8.5 million (equivalent to approximately HK$9.8 million), which shall be paid by the Purchaser to the Vendor (or its designated nominees as it may direct) in cash upon the Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the business nature and prospects of the Target Group as set out in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below; and (ii) the financial position of the Target Group as at 31 December 2025. As mentioned in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below, the Target Group has faced significant uncertainty since March 2020 when the Water Bureau of Qingyuan Government issued the Cessation Notice (as defined below) to order WSD Company to close down its water plant, and to take water from the Government-designated Water Plant (as defined below). Since then, the financial performance and position of the Target Group has worsened due to the Disputes and Litigations (as defined below). The Consideration of RMB8.5 million was negotiated by the parties by reference to the Target Company's free cash on book of approximately RMB8.5 million (after taking into account the non-restricted cash balance of the Target Group of approximately RMB12.9 million and the planned budget for legal costs and other charges and expenditure necessitated by the Disputes and Litigations in the amount of approximately RMB4.4 million) as at 31 December 2025.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Valuation**

The Group has engaged the Independent Valuer to conduct the Valuation in respect of the fair value of 49% equity interest of the Target Company. By adopting income approach method, the fair value of 49% of the equity interest of the Target Company as at 31 December 2025 was nil.

The Directors have (i) reviewed and discussed with the Independent Valuer the methodology of, and the bases and assumptions adopted for, the Valuation, which are summarized in the valuation report (the "**Valuation Report**") on the Target Group as set out in Appendix II to this circular; (ii) reviewed the projections and assumptions adopted by the Independent Valuer; and (iii) assessed the experience and expertise of the Independent Valuer.

The following major assumptions have been adopted in the Valuation:

(i) The Target Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to the Target Group;

(ii) To continue as a going concern, the Target Group will successfully carry out all necessary activities for the development of its business;

(iii) The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

(iv) The audited/unaudited financial and operational information of the Target Group as supplied to the Independent Valuer have been prepared in a manner which truly and accurately reflect the financial position of the Target Group as at the respective balance sheet dates;

(v) The availability of financing will not be a constraint on the forecast growth of the Target Group's operations;

(vi) Market trends and conditions where the Target Group operates will not deviate significantly from the economic forecasts in general;

(vii) Key management, competent personnel and technical staff will all be retained to support ongoing operations of the Target Group;

(viii) There will be no material changes in the business strategy of the Target Group and its expected operating structure;

(ix) Interest rates and exchange rates in the localities for the operations of the Target Group will not differ materially from those presently prevailing;

(x) All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

(xi) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Group.

As stated in the Valuation Report, the Independent Valuer has considered the three generally accepted approaches, namely market approach, asset approach and income approach, to assess the value of the Target Group.

***Market approach***

As advised by the Independent Valuer, under the market approach, the Independent Valuer has considered two commonly used methods of valuation, namely the comparable transaction method and the guideline public company method. The comparable transaction method is not appropriate as there are insufficient direct comparable transactions in the market to form a reliable opinion on value. Under the guideline public company method, the valuation multiple based on sales is not appropriate as sales does not capture relevant cost of productions and operations, and thereby fails to reflect the true earning power of the Target Company. The Target Group has been incurring net operating loss with net liabilities position over the track record periods, and thus multiples based on operating profits, net profits and net asset value are not good and applicable indicators.

***Asset approach***

Asset approach is not appropriate as the cost of reproducing and replacing its assets ignore the future economic benefits of the business as a whole, and thus the asset approach is not a good and relevant valuation method.

***Income approach***

The Income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits. Having reviewed the stable customer base and discussed with the Company, the Independent Valuer considered that projections can be estimated and made with supportable and reasonable basis by making reference to historical financial results of the Target Group, and thus the income approach is considered by the Independent Valuer to be the most appropriate method in determining the Valuation.

Based on the discussion with the Independent Valuer and the review on the Valuation Report, the Directors concur with the view of the Independent Valuer that the valuation methodology adopted by the Independent Valuer is fair and reasonable to establish the Valuation, and the bases and assumptions for the Valuation are fair and reasonable.

McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**") has been engaged to report on the calculations of the discounted future estimated cash flows used in the Valuation Report. McMillan Woods has reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions determined by the Directors as set out in this circular. The text of the report issued by McMillan Woods in relation to the calculations of the discounted future estimated cash flows is set out in Appendix III to this circular.

Astrum Capital Management Limited ("**Astrum Capital**"), the financial adviser to the Company, has (i) discussed with the management of the Company and the Valuer regarding the bases and assumptions of the cash flow forecast of the Target Group underlying the Valuation; and (ii) reviewed the report from McMillan Woods regarding the calculations of discounted future estimated cash flows in connection with the Valuation. On the basis of the foregoing and the arithmetical calculations reviewed by McMillan Woods, Astrum Capital is of the opinion that the cash flow forecast underlying the Valuation, for which the Directors are solely responsible, has been made after due and careful enquiry. The text of the letter from Astrum Capital is set out in Appendix IV to this circular.

**Conditions Precedent**

Completion is conditional upon the fulfillment or waiver (as the case may be) of the Conditions as set forth below:

(a) the Purchaser having completed the due diligence over the Target Group and being satisfied with its results in its absolute discretion;

(b) all warranties given by the Vendor and the Purchaser being true, accurate and not misleading at all times between the date of the Sale and Purchase Agreement and the Completion Date;

(c) the Vendor having obtained all necessary or appropriate internal and third-party(ies) consents, confirmations, waivers or approvals (if any) (other than those set out in paragraph (d) below), all waiting periods under any laws of the relevant jurisdictions having expired or terminated and all applicable statutory and legal obligations having been complied with the entering into and the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder; and

(d) the Company having obtained the Independent Shareholders' approval at the EGM for the Sale and Purchase Agreement and the transactions contemplated in accordance with the Listing Rules.

Save for the condition (d) above which cannot be waived by any party in any event, all other conditions precedent could be waived at the absolute discretion of the Purchaser.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

The Long Stop Date for the fulfillment or waiver of the Conditions was originally fixed for 31 August 2026, but was subsequently extended to 30 September 2026 (or such later date as the parties may agree in writing) pursuant to the Supplemental Agreement. If any of the Conditions are not fulfilled or waived on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate, and no party shall have any claim in relation to the Sale and Purchase Agreement (without prejudice to the rights of any party in respect of antecedent breaches).

**Completion**

Subject to fulfillment or waiver (as the case may be) of all the Conditions, Completion shall take place on the Completion Date, i.e. within six weeks after the satisfaction of the Conditions, or such later date as may be agreed by the parties in writing prior to Completion. At Completion, upon the receipt of the Consideration by the Vendor in full, the Vendor shall transfer the Sale Shares to the Purchaser (or any nominees as the Purchaser may in its absolute discretion direct).

**INFORMATION OF THE TARGET GROUP**

The Target Company is a company incorporated in the PRC with limited liability, which is directly owned as to 49% by the Vendor and as to 51% by the Purchaser as at the Latest Practicable Date. The principal business activity of the Target Company is the holding of the entire equity interest in WSD Company.

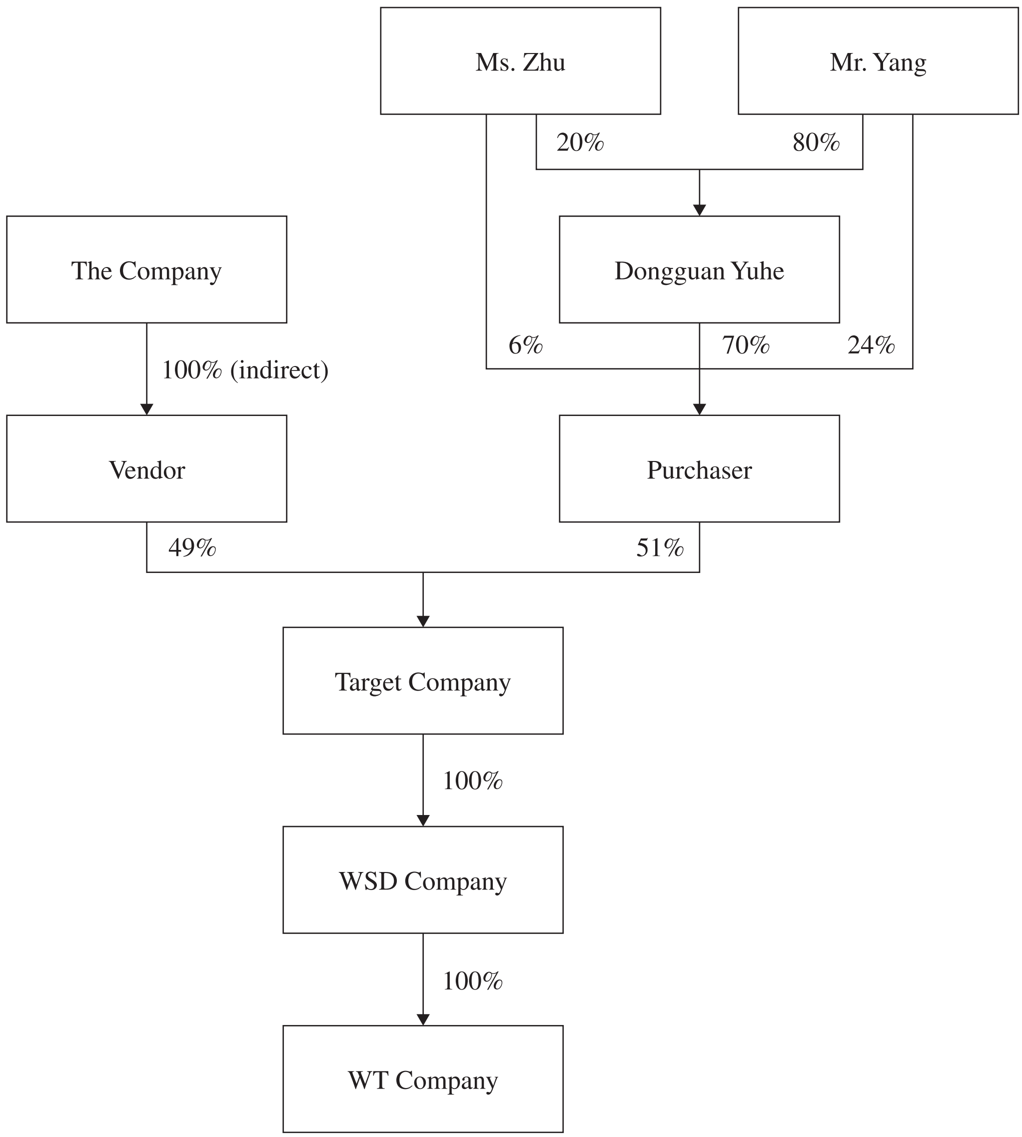
WSD Company is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target Company. WSD Company is principally engaged in the supply of pipelined water in Qingcheng District of Qingyuan City, Guangdong Province, the PRC.

WT Company is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of WSD Company. WT Company is principally engaged in the provision of water quality testing services.

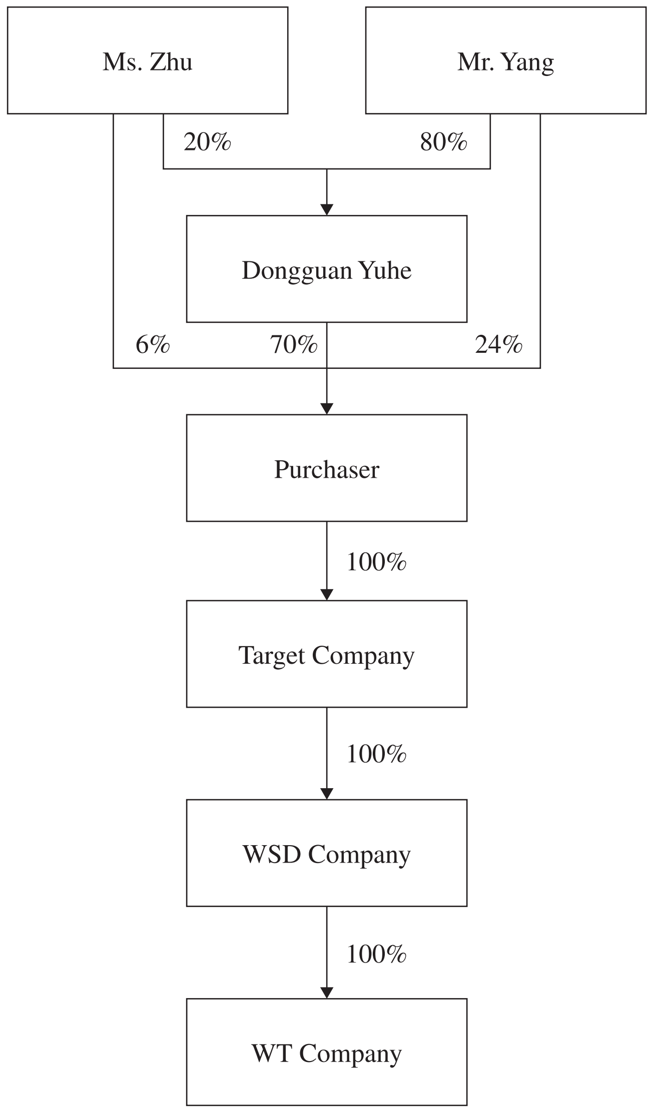
The constitution of the Target Company presently provide that: (i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of the Target Company shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained; (ii) save for the aforesaid, the board of directors of the Target Company shall be delegated with the authority to deal with all other matters in relation to the Target Company and such delegation shall not be revoked unless the shareholders of the Target Company representing two thirds or more of the voting rights agree; (iii) the Purchaser has right to appoint one director to the board of directors of the Target Company and the Vendor has right to appoint two directors to the board of directors of the Target Company; (iv) no resolutions relating to management, operational activities, profit distribution or return on investment of the Target Company shall be passed unless agreed by more than 50% of the directors of the Target Company; and (v) any amendments to the articles of the association of the Target Company will require the approval from the shareholders of the Target Company representing two thirds or more of the voting right. In light of the above provisions, the Group has control of the Target Company and accordingly, each member of the Target Group is presently treated as a subsidiary of the Group. If the Disposal proceeds to Completion, it is expected that the constitution of the Target Company will be amended such that the Group no longer retain control of the members of the Target Group after Completion.

**Group structure of the Target Group**

(i) The shareholding structure of the Target Group immediately prior to Completion and as at the Latest Practicable Date is as follows:



(ii) The shareholding structure of the Target Company immediately after Completion is as follows:



**Financial information of the Target Group**

The unaudited financial information of the Target Group for the year ended 31 December 2023, the eighteen months ended 30 June 2025 and the six months ended 31 December 2025 is set out as below:

| | For the year ended 31 December 2023 *(HK$'000)* *(unaudited)* | For the eighteen months ended 30 June 2025 *(HK$'000)* *(unaudited)* | For the six months ended 31 December 2025 *(HK$'000)* *(unaudited)* |
|---|---|---|---|
| **Turnover** | 241,800 | 333,668 | 113,610 |
| **(Loss) before taxation** | (61,745) | (134,737) | (25,629) |
| **(Loss) for the year/period** | (64,662) | (132,963) | (42,520) |

As at 31 December 2025, the unaudited total assets and net (liabilities) of the Target Group were approximately HK$589.68 million and approximately HK$(626.86 million), respectively.

As at 31 December 2025, the inter-company balances between the Target Group and the Remaining Group comprise: (i) an amount owing by the Target Group to the Remaining Group in the amount of approximately RMB58.77 million (equivalent to approximately HK$65.31 million); and (ii) an amount owing by the Remaining Group to the Target Group in the amount of approximately RMB49.42 million (equivalent to approximately HK$54.91 million). The Company intends to offset the amounts stated above to the extent possible, and have the debtor settling the net balance (after offsetting) on or before Completion.

**INFORMATION OF THE VENDOR**

The Vendor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company acting as the holding company of various PRC entities of the Group. The principal business activity of the Vendor is provision of consultancy services. As at the Latest Practicable Date, the Vendor directly held 49% of the equity interest of the Target Company.

**INFORMATION OF THE PURCHASER**

Based on the information provided by the Purchaser, (i) the Purchaser is a joint stock limited company incorporated in PRC; (ii) the principal business activities the Purchaser are investment and provision of consultancy services; (iii) the Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse Mr. Yang; and (iv) the Purchaser directly held 51% of the equity interest of the Target Company as at the Latest Practicable Date.

**REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in (i) the supply of pipelined water, together with related customer services such as water quality inspection, water pipe repairs and maintenance, and water meter maintenance and replacement (the "**Water Supply Business**"); (ii) property investment and development in the PRC and overseas (the "**Property Business**"); and (iii) the provision of financial services (the "**Financial Business**"). So far as the Water Supply Business is concerned, the Target Group and the Remaining Group own and operate water pipeline networks connecting and providing services in Qingcheng District and Qingxin District of Qingyuan City, Guangdong Province, the PRC, respectively.

As disclosed in the Company's announcement dated 3 March 2020 (the "**Cessation Notice Announcement**"), WSD Company received a cessation notice (the "**Cessation Notice**") issued by the Water Resources Bureau of Qingyuan City (the "**Water Bureau**") on 3 March 2020, pursuant to which the Water Bureau notified WSD Company of the decision of the People's Government of Qingyuan City (the "**Qingyuan Government**") to stop the water intake of Qixinggang Water Plant operated by WSD Company with effect from 4 March 2020 and to commence full water intake of another water plant designated by Qingyuan Government (the "**Government-designated Water Plant**"). Due to the much higher water costs imposed by the Government-designated Water Plant as compared to the Group's own production costs before the Cessation Notice, the Group's Water Supply Business has suffered from severe loss-making, accumulating an aggregate loss of approximately HK$432.15 million between 1 January 2020 and 31 May 2026.

As disclosed in the Cessation Notice Announcement and the previous results announcements and financial reports of the Company, since October 2020, WSD Company received various writs of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" for various time periods. WSD Company has now received civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province (the "**Qingyuan Court**"), ordering WSD Company to pay water charges, plus overdue interest calculated at the rate of 1-year term loan market quoted interest rate, litigation and related charges (collectively, the "**Ancillary Charges**"), to the Government-designated Water Plant. Up to the Latest Practicable Date, WSD Company received six writs of civil claims from the Government-designated Water Plant for total alleged water costs of approximately RMB630.9 million, plus total alleged Ancillary Charges of approximately RMB39.5 million, of which approximately RMB261.7 million was already settled. For the sake of prudence, the Group had already made provisions, principally reflected in its trade payables (as regards the alleged water costs) and other payable (as regards the Ancillary Costs) since the issue of the Cessation Notice, on the basis of its own estimation of the costs of water supply, pending the resolution of the relevant disputes and litigations (the "**Disputes and Litigations**") with (inter alia) the Government-designated Water Plant. Such estimations are adjusted from time to time in accordance with the water quantity and judgments rendered by the Qingyuan Court. As at 31 May 2026, (i) the Group's trade payables arising from the Water Supply Business (the "**Trade Payables arising from Water Business**") operated by the Target Group amounted to approximately HK$507.3 million, of which approximately HK$492.6 million represented water costs (and provisions made therefor) which are still subject to the Disputes and Litigations; and (ii) included in deposits received, other payable and accruals was compensation of approximately HK$13.5

million payable as a result of civil judgments rendered by the Qingyuan Court in litigation with the same supplier/plaintiff (the "**Other Payable arising from Ancillary Charges**"). Certain bank accounts of WSD Company were frozen as a result of the Disputes and Litigations with Government-designated Water Plant. As at 31 July 2026, the Group had restricted bank deposits of approximately HK$165.3 million, all of which were attributable to the Target Group.

Apart from seeking legal advice to uphold its position in the Disputes and Litigations, the Group was also in negotiation with the Government-designated Water Plant with the view to exploring the possibility of reaching an amicable resolution of the Disputes and Litigations. However, as disclosed in the Company's announcement dated 30 June 2026, such negotiation was still ongoing and no binding agreement has been concluded or reached with the counterparty at this stage.

The Disputes and Litigations are solely related to WSD Company, and the Remaining Group has not provided any guarantee to the Target Group. As no member of the Remaining Group is a party to the Disputes and Litigations, it is the Directors' view that the Remaining Group will be released from further litigation risks with the Government-designated Water Plant upon Completion of the Disposal.

The Directors consider that the Disposal represents a good opportunity for the Group to (i) reduce the Group's risks exposures arising from the Disputes and Litigations; (ii) cease the adverse impact of high water costs sought to be charged by the Government-designated Water Plant on the Group's profitability; and (iii) deconsolidate the Trade Payables arising from Water Business operated by the Target Group and Other Payable arising from Ancillary Charges, both presently classified as current liabilities, from the Group's consolidated financial statements, thereby substantially improving the Group's net assets and net current assets/(liabilities) positions. The Directors further note that (i) the Disposal only involves the disposal of part, but not all, of the Group's Water Supply Business; and (ii) the Company has no plan to dispose of, in the next twelve months, its remaining business of water supply in Qingxin District carried out by the Remaining Water Group which, together with the Property Business and the Finance Business, are viable, sustainable and of substantial level of operations and asset value.

As at the Latest Practicable Date, the Target Group's only cash-generating assets comprise the water business and related assets (including the closed water plant and the water pipeline network). The Target Group does not own or control any other tangible or intangible asset, patent, technology, development right, concession or any other special right which is not already reflected in its accounts but may create potential upside to the Target Group.

Having considered the factors above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and Shareholders as a whole. Due to the shareholding of Ms. Zhu and her spouse in the Purchaser, she was considered to have a material interest in the Disposal and has abstained from voting on the Board resolution(s) approving the Disposal. The Board intends to apply the Consideration (after deducting costs related to the transaction) for the Group's general working capital, including the payment of office overheads, rental and staff expenses, and professional fee in the next twelve months.

**FINANCIAL EFFECT OF THE DISPOSAL**

Following Completion, all the members of the Target Group will cease to be subsidiaries of the Company, and the results and assets and liabilities of the Target Group will no longer be consolidated to the financial statements of the Group.

Based on preliminary assessment and the unaudited financial information of the Target Group for the six months ended 31 December 2025, the Company is expected to record a gain on disposal of approximately HK$308.01 million in the statement of profit or loss, before deducting transaction costs associated with the Disposal such as professional fees, tax and expenses. The calculation of the gain on Disposal is set out as below:

| | *HK$'000* |
|---|---|
| Net liabilities of the Target Group as at 31 December 2025 | (626,861) |
| The Company's interest in 49% of the equity interest of the Target Company as at 31 December 2025 | (307,162) |
| Add: | |
| – Non-controlling interests | (17,248) |
| – Exchange reserves | 25,846 |
| **Net liabilities attributable to the shareholders of the Company** | **298,564** |
| Add: | |
| – Consideration of RMB8,500,000 (based on the exchange rate of HK$100 to RMB89.9944 as at 31 December 2025) | 9,445 |
| **Expected gain on Disposal** | **308,009** |

Shareholders should note that the above figures are for illustrative purpose only, and the actual figures may be materially different from the above as they can only be determined after the finalization of the financial statements of the Target Group as at Completion and after the review by the Group's auditors during the course of the next audit.

**THE REMAINING GROUP**

Prior to the Completion, the Group is presently providing water supply and related services in two districts in Qingyuan City, namely: (a) Qingcheng District, via the Target Group; and (b) Qingxin District, via the Remaining Water Group. Each of these sub-groups has its own filtering plant, pipeline network, customer base, management team and staff team, capable of operating on standalone basis. By way of illustration, the Target Group and the Remaining Water Group: (a) had approximately 276,000 and 107,000 customer accounts, respectively, as at 30 June 2026; and (b) had 247 and 137 staff headcounts, respectively, as at 31 July 2026. Although the two sub-groups have arranged for interconnection of water networks with the view to leveling water pressure, supply and demand under the supervision and guidance of local water authorities, each sub-group also has its own river water source. As the Remaining Water Group possesses its own river water source which is sufficient to meet its own demand and such water source is entirely independent from the Target Group, the Directors (including the independent non-executive Directors) are of the view that the Disposal is not expected to have any material adverse effect on the normal operations of the Remaining Water Group.

**Continuing Transactions**

Prior to Completion, certain intra-group transactions have been continuing between the members of the Target Group and the Remaining Group, including:

(a) the intra-group supply of water as explained above. In recent years, the Remaining Group maintained a net supplying position as against the Target Group, due to the insufficiency of the Target Group's water source. At present, due to the intra-group relationship, the Remaining Group has been supplying water to the Target Group at a unit price which is at a significant discount as compared to the unit price that can be charged by the Remaining Group to external customers. If the Disposal proceeds to Completion, the Remaining Group intends to cease its water supply to the Target Group, save and except for an insignificant quantity and amount for the purpose of levelling water pressure inside pipeline networks. Based on the Company's understanding, the Target Group should be able to identify alternative water source such that the water utilization of customers covered by its network should not be adversely affected. Following such termination, the water charges for the remaining water supply between the two pipeline networks are insignificant and will be fully exempt from all the announcement, circular and shareholders' approval requirements under the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

    During the twelve months ended 30 June 2026, the Remaining Water Group recorded intra-group sales of water to the Target Group in the amount of approximately RMB33.86 million, representing approximately 46.22% of the total revenue for water sales of the Remaining Water Group. It is the Company's view that the negative impact to the business revenue of the Remaining Water Group as a result of the termination of water supply to the Target Group will be more than balanced by the benefits, namely: (a) the limitation of credit exposure to a business entity with deteriorating financial position; and (b) the increase of gross profit margin of the Remaining Water Business, due to the lower-than-average unit price charged to the Target Group as compared with external customers of the Remaining Water Business.

(b) the provision of water testing services by WT Company to the Remaining Group. Following Completion, the Remaining Group intends to use WT Company's services only if the terms are on normal commercial terms or better from the

Company's perspective. The service fees payable for such water testing services are insignificant and will be fully exempt from all the announcement, circular and shareholders' approval requirements under the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

(c) the leasing of certain land premises by the Remaining Group to the Target Group for Target Group's office and operating uses. At present, the Remaining Group charged the Target Group for monthly rental payments which are benchmarked at market rent level. Following Completion, the Remaining Group intends to terminate leases for certain office/land which are re-designated for the Remaining Group's self-use. Following such termination, the rental payments for the remaining leases will be fully exempt from all the announcement, circular and shareholders' approval requirements under the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

Based on the above, the Directors do not expect that any continuing transactions between the Remaining Group and the Target Group would become connected transactions of the Company which cannot meet any conditions for exemptions under the Listing Rules. If there is any subsequent change in circumstances giving rise to any non-exempt connected transactions, the Company will ensure compliance with the relevant provisions of the Listing Rules.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major disposal for the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (a) the Target Company is owned as to 49% by the Vendor and as to 51% by the Purchaser; (b) the Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse; and (c) Ms. Zhu is an executive Director and a substantial Shareholder deemed to be interested in 1,561,140,000 Shares (representing approximately 28.32% of the issued share capital of the Company), which comprise (a) 961,140,000 Shares directly held by Ever City (wholly-owned by Affluent Vast, which is in turn wholly-owned by Ms. Zhu); and (b) 600,000,000 Shares held by Eastcorp (wholly-owned by Ever City). The Purchaser is therefore considered as a connected person of the Company. The Disposal constitutes a connected transaction for the Company and is subject to reporting, announcement, circular, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## EGM

The EGM will be held on Tuesday, 29 September 2026 at 11:00 a.m. at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong for the Independent Shareholders to consider, if thought fit, approve the Disposal Resolution. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 23 September 2026 to Tuesday, 29 September 2026, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited (the "**Registrar**"), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 22 September 2026.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore the chairman of the meeting will demand a poll on the Disposal Resolution at the EGM. An announcement will be made by the Company on the poll results of the EGM.

In accordance with the Listing Rules, Ms. Zhu and her associates (including Ever City and Eastcorp) will be required to abstain from voting on the Disposal Resolution. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for Ever City and Eastcorp, no other Shareholder has a material interest in or is involved in or interested in the Disposal, and will be required to abstain from voting on the Disposal Resolution at the EGM.

**INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai, has been established to advise the Independent Shareholders regarding the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

The letter from the Independent Board Committee is set out on page 23 in this circular and the letter from the Independent Financial Adviser is set out on pages 24 to 52 in this circular.

## RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable, and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Disposal Resolution.

## ADDITIONAL INFORMATION

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the Disposal Resolution at the EGM.

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

**Completion is conditional upon the satisfaction of the Conditions set out in the sub-paragraph headed "Conditions Precedent" under the section headed "THE SALE AND PURCHASE AGREEMENT" in this circular, including the passing of the Disposal Resolution by the Independent Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

By order of the Board
**UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED**
**Chen Jinyang**
*Chairman*

# UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
# 環球實業科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1026)**

25 August 2026

*To the Independent Shareholders,*

Dear Sir or Madam,

## MAJOR DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 49% OF THE EQUITY INTEREST IN QINGHUI PROPERTIES LIMITED

We refer to the circular of Universal Technologies Holdings Limited (the "**Company**") dated 25 August 2026 (the "**Circular**") to the shareholder of the Company, of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Circular.

We were established by the Board to advise you as to whether the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and make recommendations as to voting.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 6 to 22 and pages 24 to 52 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the background of and reasons for the Sale and Purchase Agreement and the transactions contemplated thereunder, and the advice of the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the Disposal Resolution.

Your faithfully,
For and on behalf of the Independent Board Committee

| **Mr. Yeung Kin Chung Clifton, M.H.** | **Mr. Chao Pao Shu George** | **Mr. Chai Chung Wai** |
|---|---|---|
| *Independent non-executive Director* | *Independent non-executive Director* | *Independent non-executive Director* |

*Set out below is the text of a letter received from Red Sun Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.*

红日资本有限公司
RED SUN CAPITAL LIMITED

Room 2703, 27/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

*To: The Independent Board Committee and the Independent Shareholders of Universal Technologies Holdings Limited*

Dear Sir/Madam,

**MAJOR DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF 49% OF THE EQUITY INTEREST IN
QINGHUI PROPERTIES LIMITED**

## 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 Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 25 August 2026 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 5 June 2026 (after trading hours of the Stock Exchange), the Company, the Vendor (an indirect wholly owned subsidiary of the Company), the Purchaser and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares for the Consideration of RMB8.5 million (equivalent to approximately HK$9.8 million). On 4 August 2026, the Company, the Vendor, the Purchaser and the Target Company entered into the Supplemental Agreement to extend the Long Stop Date from 31 August 2026 to 30 September 2026 (or such later date as the parties may agree in writing).

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major disposal for the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (a) the Target Company is owned as to 49% by the Vendor and as to 51% by the Purchaser; (b) the Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse; and (c) Ms. Zhu is an executive Director and a substantial Shareholder deemed to be interested in 1,561,140,000 Shares (representing approximately 28.32% of the issued share capital of the Company), which comprise (a) 961,140,000 Shares directly held by Ever City (wholly-owned by Affluent Vast, which is in turn wholly-owned by Ms. Zhu); and (b) 600,000,000 Shares held by Eastcorp (wholly-owned by Ever City). The Purchaser is therefore considered as a connected person of the Company. The Disposal constitutes a connected transaction for the Company and is subject to reporting, announcement, circular, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai, has been established to advise the Independent Shareholders regarding the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

We have been approved by the Independent Board Committee and appointed by the Company to advise the Independent Board Committee and Independent Shareholders in this regard on (i) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is conducted in the ordinary and usual course of business of the Group; (iii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Disposal at the EGM.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Vendor, the Purchaser and the Target Company and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the Sale and Purchase Agreement.

Save for this appointment as the independent financial adviser, Red Sun Capital has not acted as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Company, the Vendor, the Purchaser, the Target Company and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group, its senior management (the "**Management**") and the Directors. We have also reviewed, among other things, the Sale and Purchase Agreement, the Supplemental Agreement, the Valuation

Report, the financial information of the Group and the Target Group disclosed in the Circular, the Management projections adopted in the Valuation, the reports from McMillan Woods and Astrum Capital in relation to the profit forecast underlying the Valuation, and other information contained in the Circular which we considered relevant to our assessment.

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and the Management, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, the Independent Valuer and other advisers of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

We consider that we have been provided sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, the Vendor, the Purchaser, the Target Company and any of their respective subsidiaries and associates. Nevertheless, we have taken reasonable steps, including discussions with the Management and the Independent Valuer, review of the relevant transaction documents and review of the valuation methodology, key assumptions and quantitative inputs adopted in the Valuation, to satisfy ourselves that we have a reasonable basis for our opinion. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. 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 formulating our opinion in respect of the Disposal, we have considered the following principal factors and reasons.

### A. Information of the Group

As set out in the Letter from the Board, The Group is principally engaged in (i) the supply of pipelined water, together with related customer services such as water quality inspection, water pipe repairs and maintenance, and water meter maintenance and replacement (i.e., the Water Supply Business); (ii) property investment and development in the PRC and overseas (i.e., the Property Business); and (iii) the provision of financial services (i.e., the Financial Business).

Set out below is a summary of the Group's financial information for the year ended 31 December 2023, the eighteen months ended 30 June 2025 as extracted from the annual report of the Company for the eighteen months ended 30 June 2025 (the "**Annual Report**"), and for the six months ended 31 December 2024 and 2025, as extracted from the interim report of the Company for the six months ended 31 December 2025 (the "**Interim Report**").

*Extraction of the consolidated statements of profit or loss of the Group*

| | **For the six months ended 31 December** | | **For the eighteen months ended 30 June** | **For the year ended 31 December** |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(unaudited)* | *(unaudited)* | *(audited)* | *(audited)* |
| ***Revenue*** | | | | |
| Water supply and related services | 157,133 | 173,408 | 415,699 | 298,079 |
| Properties investment and development | 15,628 | 10,526 | 35,295 | 20,809 |
| Financial services | 163 | 66 | 307 | 259 |
| | **172,924** | **184,000** | **451,301** | **319,147** |
| **Gross profit/(loss)** | **5,869** | **15,181** | **(26,763)** | **17,771** |
| **Loss for the period/year attributable to Shareholders of the Company** | **(49,311)** | **(28,532)** | **(161,360)** | **(137,336)** |

*For the six months ended 31 December 2024 and 2025*

As set out in the Annual Report, the total revenue of the Group for the six months ended 31 December 2025 was approximately HK$172.9 million, representing a decrease of 6.0% or approximately HK$11.1 million as compared to approximately HK$184.0 million for six months ended 31 December 2024. The decrease in revenue was mainly due to decline in revenue from the water supply and related business of approximately HK$16.3 million, partly offset by the increase in revenue from properties investment and development of approximately HK$5.1 million.

The revenue from water supply and related services, comprised of water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services, recorded revenue of approximately HK$157.1 million for six months ended 31 December 2025, representing a decrease of approximately 9.4% or HK$16.3 million as compared with the revenue of approximately HK$173.4 million for the six months ended 31 December 2024, which was mainly due to the decrease revenue from water supply related installation, construction and maintenance.

The revenue from properties investment and development business of the Group, comprised of the rental operation of the Group's commercial properties in Guangzhou, recorded revenue of approximately HK$15.6 million for the six months ended 31 December 2025, representing an increase of approximately 48.5% or HK$5.1 million as compared with the revenue of approximately HK$10.5 million for the six months ended 31 December 2024, which was driven by a resurgence in market recovery and improved consumer sentiment, leading to heightened foot traffic and a lower vacancy rate in shopping malls.

The gross profit of the Group decreased from approximately HK$15.2 million for the six months ended 31 December 2024 to approximately HK$5.9 million for the six months ended 31 December 2025, representing a decrease of approximately HK$9.3 million or 61.3%. Such decrease was mainly due to the decrease in revenue from water supply and related services as mentioned above, and partly offset by the decrease in cost of revenue of approximately HK$1.8 million for the six months ended 31 December 2025.

The loss of the Group attributable to shareholders of the Company increased from approximately HK$28.5 million for the six months ended 31 December 2024 to approximately HK$49.3 million for the six months ended 31 December 2025, representing an increase of approximately HK$20.8 million or 72.8%. Such increase was mainly due to (i) decrease in gross profit as mentioned above; (ii) the Group recorded net other losses of approximately HK$27.5 million as compared to net other gain of HK$8.4 million mainly the result of an increase in compensation loss and other charges and net exchange losses; and (iii) increase in income tax expenses of approximately HK$18.1 million.

*For the year ended 31 December 2023 and the eighteen months ended 30 June 2025*

As set out in the Annual Report, for the eighteen months ended 30 June 2025, the Group recorded revenue of approximately HK$451.3 million, representing an increase of approximately 41.4% or HK$132.2 million as compared to revenue of approximately HK$319.1 million for the year ended 31 December 2023. Such increase was mainly due to the increase in revenue from the Group's water supply business and rental income from commercial properties in Guangzhou.

The revenue from water supply and related services amounted to approximately HK$415.7 million for the eighteen months ended 30 June 2025, representing an increase of approximately 39.5% or HK$117.6 million as compared with the revenue of approximately HK$298.1 for the year ended 31 December 2023.

The revenue from properties investment and development business of the Group amounted to approximately HK$35.3 million for the eighteen months ended 30 June 2025, representing an increase of approximately 69.6% or HK$14.5 million as compared with the revenue of approximately HK$20.8 million for the year ended 31 December 2023.

The gross loss of the Group amounted to approximately HK$26.8 million for the eighteen months ended 30 June 2025, as compared to gross profit of approximately HK$17.8 million for the year ended 31 December 2023, representing a decrease of gross profit of approximately HK$44.5 million. The gross loss of the Group was mainly driven by the increase in cost of revenue.

Net loss attributable to shareholders of the Company increased from approximately HK$137.3 million for the year ended 31 December 2023 to approximately HK$161.4 million for the eighteen months ended 30 June 2025, representing an increase of HK$24.0 million. The increase in net loss attributable to Shareholders of the Company was mainly due to (i) the Group recorded gross loss for the eighteen months ended 30 June 2025 as compared to the gross profit for the year ended 31 December 2023; (ii) the increase in general and administrative expenses of approximately HK$45.0 million; (iii) the increase in impairment loss on amount due from a joint venture of approximately HK$13.9 million; and (iv) the increase in finance cost of approximately HK$10.5 million, and partly offset by the decreases in impairment loss on goodwill of approximately HK$11.3 million and impairment loss on non-current assets of approximately HK$52.0 million.

*Extraction of consolidated statements of financial position of the Group*

| | **As at 31 December 2025** | **As at 30 June 2025** | **As at 31 December 2023** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(unaudited)* | *(audited)* | *(audited)* |
| Non-current assets | 1,455,010 | 1,393,903 | 1,517,086 |
| Current assets | 410,625 | 509,235 | 525,296 |
| **Total assets** | **1,865,635** | **1,903,138** | **2,042,382** |
| Non-current liabilities | 678,401 | 701,343 | 643,772 |
| Current liabilities | 949,590 | 872,004 | 785,097 |
| **Total liabilities** | **1,627,991** | **1,573,347** | **1,428,869** |
| **Total equity attributable to equity Shareholders of the Company** | **572,555** | **615,479** | **799,224** |

*Financial position of the group as at 31 December 2025 and 30 June 2025*

The total assets of the Group amounted to approximately HK$1,865.6 million as at 31 December 2025, representing a decrease of approximately HK$37.5 million or 2.0% as compared to approximately HK$1,903.1 million as at 30 June 2025. As at 31 December 2025, total assets of the Group mainly comprised of (i) investment properties of approximately HK$544.0 million; (ii) property, plant and equipment of HK$301.7 million; (iii) deposits paid for acquisition of investment properties of approximately HK$251.9 million; (iv) interest in a joint venture of approximately HK$213.6 million; (v) restricted bank deposits of HK$134.4 million; and (vi) cash and bank balances of approximately HK$89.1 million.

The total liabilities of the Group amounted to approximately HK$1,628.0 million as at 31 December 2025, representing an increase of approximately HK$54.6 million or 3.5% as compared to approximately HK$1,573.3 million as at 30 June 2025. As at 31 December 2025, total liabilities of the Group mainly comprised of (i) bank borrowings of approximately HK$ 664.4 million; (ii) trade payables of HK$529.6 million; (iii) deposits received, other payables and accruals of approximately HK$315.2 million.

The total equity attributable to Shareholders of the Company decreased from approximately HK$615.5 million as at 30 June 2025 to approximately HK$572.6 million as at 31 December 2025, representing a decrease of approximately HK$42.9 million or 7.0%. Such decrease was mainly attributable to the loss attributable to shareholders of the Company of approximately HK$49.3 million for the six months ended 31 December 2025.

*Financial position of the group as at 30 June 2025 and 31 December 2023*

The total assets of the Group decreased from approximately HK$2,042.4 million as at 31 December 2023 to approximately HK$1,903.1 million as at 30 June 2025, representing a decrease of approximately HK$139.2 million or 6.8%. As at 30 June 2025, total assets of the Group mainly comprised of (i) investment properties of approximately HK$562.4 million; (ii) property, plant and equipment of HK$292.3 million; (iii) interest in a joint venture of approximately HK$210.7 million; (iv) cash and bank balances of HK$172.6 million; (v) deposits paid for acquisition of investment properties of approximately HK$154.6 million; and (vi) deposits, prepayments and other receivables of approximately HK$128.9 million.

The total liabilities of the Group increased from approximately HK$1,428.9 million as at 31 December 2023 to approximately HK$1,573.3 million as at 30 June 2025, representing an increase of approximately HK$144.5 million or 10.1%. As at 30 June 2025, total liabilities of the Group mainly comprised of (i) bank borrowings of approximately HK$742.4 million; (ii) trade payables of HK$500.2 million; (iii) deposits received, other payables and accruals of approximately HK$235.9 million.

The total equity attributable to shareholders of the Company decreased from approximately HK$799.2 million as at 31 December 2023 to approximately HK$615.5 million as at 30 June 2025, representing a decrease of approximately HK$183.7 million or 23.0%. Such decrease was mainly attributable to the loss attributable to shareholders of the Company of approximately HK$161.4 million for the eighteen months ended 30 June 2025.

**B. Information of the Vendor**

The Vendor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company acting as the holding company of various PRC entities of the Group. The principal business activity of the Vendor is provision of consultancy services. As at the Latest Practicable Date, the Vendor directly held 49% of the equity interest of the Target Company.

**C. Information of the Purchaser**

Based on the information provided by the Purchaser, (i) the Purchaser is a joint stock limited company incorporated in PRC; (ii) the principal business activities the Purchaser are investment and provision of consultancy services; (iii) the Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse Mr. Yang; and (iv) the Purchaser directly held 51% of the equity interest of the Target Company as at the Latest Practicable Date.

**D. Information of the Target Group**

The Target Company is a company incorporated in the PRC with limited liability, which is directly owned as to 49% by the Vendor and as to 51% by the Purchaser as at the Latest Practicable Date. The principal business activity of the Target Company is the holding of the entire equity interest in WSD Company.

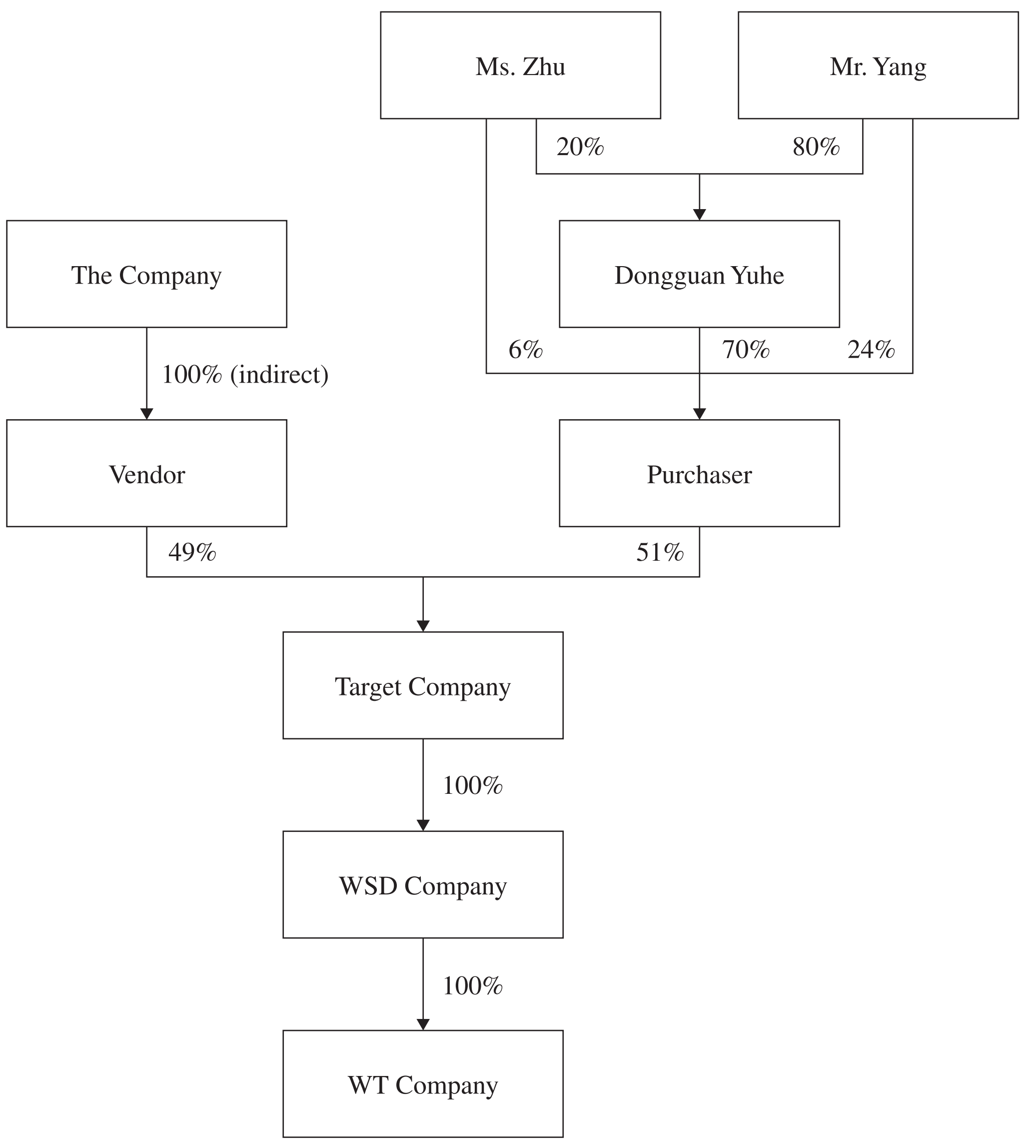
WSD Company is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target Company. WSD Company is principally engaged in the supply of pipelined water in Qingcheng District of Qingyuan City, Guangdong Province, the PRC.

WT Company is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of WSD Company. WT Company is principally engaged in the provision of water quality testing services.

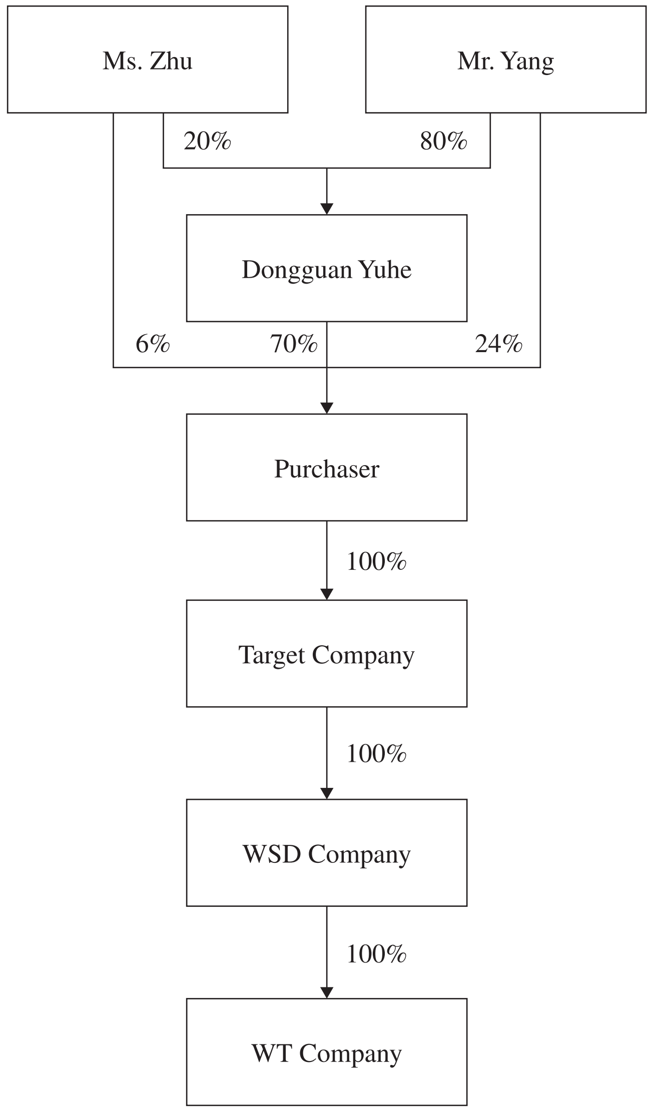
The constitution of the Target Company presently provide that: (i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of the Target Company shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained; (ii) save for the aforesaid, the board of directors of the Target Company shall be delegated with the authority to deal with all other matters in relation to the Target Company and such delegation shall not be revoked unless the shareholders of the Target Company representing two thirds or more of the voting rights agree; (iii) the Purchaser has right to appoint one director to the board of directors of the Target Company and the Vendor has right to appoint two directors to the board of directors of the Target Company; (iv) no resolutions relating to management, operational activities, profit distribution or return on investment of the Target Company shall be passed unless agreed by more than 50% of the directors of the Target Company; and (v) any amendments to the articles of the association of the Target Company will require the approval from the shareholders of the Target Company representing two thirds or more of the voting right. In light of the above provisions, the Group has control of the Target Company and accordingly, each member of the Target Group is presently treated as a subsidiary of the Group. If the Disposal proceeds to Completion, it is expected that the constitution of the Target Company will be amended such that the Group no longer retain control of the members of the Target Group after Completion.

**Group structure of the Target Group**

(i) The shareholding structure of the Target Group immediately prior to Completion and as at the Latest Practicable Date is as follows:



(ii) The shareholding structure of the Target Company immediately after Completion is as follows:



**Financial information of the Target Group**

The unaudited financial information of the Target Group for the year ended 31 December 2023, the eighteen months ended 30 June 2025 and the six months ended 31 December 2025 is set out as below:

| | For the year ended 31 December 2023 | For the eighteen months ended 30 June 2025 | For the six months ended 31 December 2025 |
|---|---|---|---|
| | *(HK$'000)* *(unaudited)* | *(HK$'000)* *(unaudited)* | *(HK$'000)* *(unaudited)* |
| **Turnover** | 241,800 | 333,668 | 113,610 |
| **Loss before taxation** | (61,745) | (134,737) | (25,629) |
| **Loss for the year/period** | (64,662) | (132,963) | (42,520) |

As at 31 December 2025, the unaudited total assets and net liabilities of the Target Group were approximately HK$589.68 million and approximately HK$626.86 million, respectively.

As at 31 December 2025, the inter-company balances between the Target Group and the Remaining Group comprise: (i) an amount owing by the Target Group to the Remaining Group in the amount of approximately RMB58.77 million (equivalent to approximately HK$65.31 million); and (ii) an amount owing by the Remaining Group to the Target Group in the amount of approximately RMB49.42 million (equivalent to approximately HK$54.91 million). The Company intends to offset the amounts stated above to the extent possible, and have the debtor settling the net balance (after offsetting) on or before Completion.

**E. Reasons for and benefits of the Disposal**

As set out in the Letter from the Board, the Group is principally engaged in (i) the supply of pipelined water, together with related customer services such as water quality inspection, water pipe repairs and maintenance, and water meter maintenance and replacement (i.e. the Water Supply Business); (ii) property investment and development in the PRC and overseas (i.e. the Property Business); and (iii) the provision of financial services (i.e. the Financial Business). So far as the Water Supply Business is concerned, the Target Group and the Remaining Group own and operate water pipeline networks connecting and providing services in Qingcheng District and Qingxin District of Guangdong Province, the PRC, respectively.

As disclosed in the Cessation Notice Announcement published by the Company dated 3 March 2020, WSD Company received the Cessation Notice issued by the Water Bureau on 3 March 2020, pursuant to which the Water Bureau notified WSD Company of the decision of the Qingyuan Government to stop the water intake of Qixinggang Water Plant operated by WSD Company with effect from 4 March 2020 and to commence full water intake of the Government-designated Water Plant. Due to the much higher water costs imposed by the Government-designated Water Plant as compared to the Group's own production costs before the Cessation Notice, the Group's Water Supply Business has suffered from severe loss-making, accumulating an aggregate loss of approximately HK$432.15 million between 1 January 2020 and 31 May 2026.

As disclosed in the Cessation Notice Announcement and the previous results announcements and financial reports of the Company, since October 2020, WSD Company received various writs of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" for various time periods. WSD Company has now received civil judgments from the Qingyuan Court, ordering WSD Company to pay water charges, plus overdue interest calculated at the rate of 1-year term loan market quoted interest rate, litigation and related charges (collectively, the Ancillary Charges), to the Government-designated Water Plant. Up to the Latest Practicable Date, WSD Company received six writs of civil claims from the Government-designated Water Plant for total alleged water costs of approximately RMB630.9 million, plus total alleged Ancillary Charges of approximately RMB39.5 million, of which approximately RMB261.7 million was already settled. For the sake of prudence, the Group had already made provisions, principally reflected in its trade payables (as regards the alleged water costs) and other payable (as regards the Ancillary Costs) since the issue of the Cessation Notice, on the basis of its own estimation of the costs of water supply, pending the resolution of the Disputes and Litigations with, inter alia, the Government-designated Water Plant. Such estimations are adjusted from time to time in accordance with the water quantity and judgments rendered by the Qingyuan Court. As at 31 May 2026, (i) the Group's Trade Payables arising from Water Business operated by the Target Group amounted to approximately HK$507.3 million, of which approximately HK$492.6 million represented water costs (and provisions made therefor) which are still subject to the Disputes and Litigations; and (ii) included in deposits received, other payable and accruals was compensation of approximately HK$13.5 million payable as a result of civil judgments rendered by the Qingyuan Court in litigation with the same supplier/plaintiff, being the Other Payable arising from Ancillary Charges. Certain bank accounts of WSD Company were frozen as a result of the Disputes and Litigations with Government-designated Water Plant. As at 31 July 2026, the Group had restricted bank deposits of approximately HK$165.3 million, all of which were attributable to the Target Group.

Apart from seeking legal advice to uphold its position in the Disputes and Litigations, the Group was also in negotiation with the Government-designated Water Plant with the view to exploring the possibility of reaching an amicable resolution of the Disputes and Litigations. However, as disclosed in the Company's announcement dated 30 June 2026, such negotiation was still ongoing and no binding agreement has been concluded or reached with the counterparty at this stage.

The Disputes and Litigations are solely related to WSD Company, and the Remaining Group has not provided any guarantee to the Target Group. As no member of the Remaining Group is a party to the Disputes and Litigations, it is the Directors' view that the Remaining Group will be released from further litigation risks with the Government-designated Water Plant upon Completion of the Disposal.

The Directors consider that the Disposal represents a good opportunity for the Group to (i) reduce the Group's risks exposures arising from the Disputes and Litigations; (ii) cease the adverse impact of high water costs sought to be charged by the Government-designated Water Plant on the Group's profitability; and (iii) deconsolidate the Trade Payables arising from Water Business operated by the Target Group and Other Payable arising from Ancillary Charges, both presently classified as current liabilities, from the Group's consolidated financial statements, thereby substantially improving the Group's net assets and net current assets/(liabilities) positions. The Directors further note that (i) the Disposal only involves the disposal of part, but not all, of the Group's Water Supply Business; and (ii) the Company has no plan to dispose of, in the next twelve months, its remaining business of water supply in Qingxin District carried out by the Remaining Water Group which, together with the Property Business and the Finance Business, are viable, sustainable and of substantial level of operations and asset value.

As at the Latest Practicable Date, the Target Group's only cash-generating assets comprise the water business and related assets (including the closed water plant and the water pipeline network). The Target Group does not own or control any other tangible or intangible asset, patent, technology, development right, concession or any other special right which is not already reflected in its accounts but may create potential upside to the Target Group.

We have considered whether the Disposal effectively transfers the economic burden of the Disputes and Litigations to the Purchaser. Based on our review of the Sale and Purchase Agreement, upon Completion, the Target Group will cease to be subsidiaries of the Company and their assets and liabilities (including the Trade Payables arising from Water Business and Other Payable arising from Ancillary Charges) will no longer be consolidated into the Group's financial statements.

We further understand from the Management that, save for any obligations existing prior to Completion at the Company level (if any), the liabilities relating to the Target Group will remain with the Target Group after Completion. Accordingly, the Disposal substantially reduces the Group's exposure to future adverse financial impact arising from the Disputes and Litigations.

Having considered the factors above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and Shareholders as a whole. Due to the shareholding of Ms. Zhu and her spouse in the Purchaser, she was considered to have a material interest in the Disposal and has abstained from voting on the Board resolution(s) approving the Disposal. The Board intends to apply the Consideration (after deducting costs related to the transaction) for the Group's general working capital, including the payment of office overheads, rental and staff expenses, and professional fees in the next twelve months.

**F. Principal terms of the Sale and Purchase Agreement**

The principal terms of the Sale and Purchase Agreement are summarized as below:

| | |
|---|---|
| Date: | 5 June 2026 (after trading hours of the Stock Exchange) (as supplemented by the Supplemental Agreement dated 4 August 2026) |
| Parties: | (1) the Company; |
| | (2) the Vendor; |
| | (3) the Purchaser; and |
| | (4) the Target Company. |

As at the Latest Practicable Date, (i) the Target Company is owned as to 49% by the Vendor and as to 51% by the Purchaser; (ii) the Vendor is a company incorporated in the PRC with limited liability whose scope of business includes the provision of consultancy services, and an indirect wholly-owned subsidiary of the Company acting as the holding company of various PRC entities of the Group; (iii) the Purchaser is a joint stock limited company incorporated in the PRC whose scope of business includes investment and the provision of consultancy services, and is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse Mr. Yang; and (iv) Ms. Zhu is an executive Director and, through her controlled corporations Affluent Vast, Ever City and Eastcorp, is a substantial Shareholder deemed to be interested in 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company.

**Subject Matter**

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares for the Consideration of RMB8.5 million (equivalent to approximately HK$9.8 million).

As at the Latest Practicable Date, the Target Group is principally engaged in the supply of pipelined water in Qingcheng District of Qingyuan City, Guangdong Province, the PRC, together with related customer services such as water quality inspection, water pipe repairs and maintenance, and water meter maintenance and replacement.

**Consideration**

The Consideration for the Disposal is RMB8.5 million (equivalent to approximately HK$9.8 million), which shall be paid by the Purchaser to the Vendor (or its designated nominees as it may direct) in cash upon the Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the business nature and prospects of the Target Group as set out in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below; and (ii) the financial position of the Target Group as at 31 December 2025. As mentioned in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below, the Target Group has faced significant uncertainty since March 2020 when the Water Bureau of Qingyuan Government issued the Cessation Notice (as defined below) to order WSD Company to close down its water plant, and to take water from the Government-designated Water Plant (as defined below). Since then, the financial performance and position of the Target Group has worsened due to the Disputes and Litigations. The Consideration of RMB8.5 million was negotiated by the parties by reference to the Target Company's free cash on book of approximately RMB8.5 million (after taking into account the non-restricted cash balance of the Target Group of approximately RMB12.9 million and the planned budget for legal costs and other charges and expenditure necessitated by the Disputes and Litigations in the amount of approximately RMB4.4 million) as at 31 December 2025.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Conditions Precedent**

Completion is conditional upon the fulfillment or waiver (as the case may be) of the Conditions as set forth below:

(a) the Purchaser having completed the due diligence over the Target Group and being satisfied with its results in its absolute discretion;

(b) all warranties given by the Vendor and the Purchaser being true, accurate and not misleading at all times between the date of the Sale and Purchase Agreement and the Completion Date;

(c) the Vendor having obtained all necessary or appropriate internal and third-party(ies) consents, confirmations, waivers or approvals (if any) (other than those set out in paragraph (d) below), all waiting periods under any laws of the relevant jurisdictions having expired or terminated and all applicable statutory and legal obligations having been complied with the entering into and the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder; and

(d) the Company having obtained the Independent Shareholders' approval at the EGM for the Sale and Purchase Agreement and the transactions contemplated in accordance with the Listing Rules.

Save for the condition (d) above which cannot be waived by any party in any event, all other conditions precedent could be waived at the absolute discretion of the Purchaser.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

The Long Stop Date for the fulfillment or waiver of the Conditions was originally fixed for 31 August 2026, but was subsequently extended to 30 September 2026 (or such later date as the parties may agree in writing) pursuant to the Supplemental Agreement. If any of the Conditions are not fulfilled or waived on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate, and no party shall have any claim in relation to the Sale and Purchase Agreement (without prejudice to the rights of any party in respect of antecedent breaches).

**Completion**

Subject to fulfillment or waiver (as the case may be) of all the Conditions, Completion shall take place on the Completion Date, i.e. within six weeks after the satisfaction of the Conditions, or such later date as may be agreed by the parties in writing prior to Completion. At Completion, upon the receipt of the Consideration by the Vendor in full, the Vendor shall transfer the Sale Shares to the Purchaser (or any nominees as the Purchaser may in its absolute discretion direct).

**Our assessment of the Consideration**

In assessing the fairness and reasonableness of the Consideration, we have reviewed the basis of determining the Consideration and discussed with the Management the rationale for referencing the free cash on book of the Target Group. We understand from the Management that, having regard to the Target Group's net liabilities position, loss-making track record and litigation-related exposures, the parties considered it commercially more relevant to negotiate the Consideration by reference to the Target Group's available non-restricted cash after reserving necessary funding for legal costs and other expenses relating to the Disputes and Litigations.

As set out in the Letter from the Board, the Target Group had non-restricted cash balance of approximately RMB12.9 million as at 31 December 2025. After deducting the planned budget for legal costs and other charges and expenditure necessitated by the Disputes and Litigations of approximately RMB4.4 million, the free cash on book of the Target Group amounted to approximately RMB8.5 million.

We have also compared the Consideration with the fair value of 49% equity interest in the Target Company as appraised by the Independent Valuer, which was nil as at 31 December 2025. In addition, we have considered that the Target Group recorded losses for each of the year ended 31 December 2023, the eighteen months ended 30 June 2025 and the six months ended 31 December 2025, and had unaudited net liabilities of approximately HK$626.86 million as at 31 December 2025.

It is a common market practice for a listed company to dispose a subsidiary or business unit at a consideration of not less than the valuation of the subject subsidiary or business unit. In this case, the Target Group was loss-making, had net liabilities, litigation exposure and a nil Valuation. As the Valuation of the Target Group was nil and the Consideration exceeded the Valuation, we are of the view that the basis of Consideration aligns the market practice to dispose business unit at least at its valuation.

Having considered that (i) the Consideration of RMB8.5 million is higher than the assessed fair value of the Sale Shares of nil; (ii) the basis of Consideration aligns the market practice to dispose business unit at least at its valuation; (iii) the Consideration was negotiated with reference to the Target Group's available free cash after taking into account expected litigation-related costs; (iv) the Target Group was in a net liabilities position and had a loss-making track record; and (v) the Disposal would enable the Group to deconsolidate the assets and liabilities of the Target Group upon Completion, we concur with the view of the Directors that the basis of determining the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## G. Evaluation on Valuation prepared by Independent Valuer

### Valuation Report

By adopting the income approach method, the fair value of 49% of the equity interest of the Target Company as at 31 December 2025 was assessed at RMB0, primarily due to (i) the Target Group's sustained operating losses, (ii) its net liabilities position, and (iii) the significant surplus debt and non-operating liabilities which exceeded the assessed enterprise value.

The Directors have (i) reviewed and discussed with the Independent Valuer the methodology of, and the bases and assumptions adopted for, the Valuation, which are summarised in the Valuation Report on the Target Group as set out in Appendix II to this circular; (ii) reviewed the projections and assumptions adopted by the Independent Valuer; and (iii) assessed the experience and expertise of the Independent Valuer.

#### a. The competence and scope of work of the Independent Valuer

For due diligence purpose, we have obtained and reviewed the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussed the same with the Independent Valuer. We noted that Mr. Damon S.T. Wan ("**Mr. Wan**") and Ms. Stella S.Y. Lam ("**Ms. Lam**") are the core team members of the Independent Valuer preparing the Valuation Report, and that (i) Mr. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors, who has been working in the professional valuation field since 2008 and is experienced and specialised in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing; and (ii) Ms. Lam is a CFA Charterholder and has been working in the valuation industry since 2016, who is experienced in intangible assets, financial instruments and business valuation. We also noted from the credentials provided by the Independent Valuer that it has extensive experience in the provision of independent valuation services to various listed companies in Hong Kong. Based on the above, we are satisfied with the competence of the Independent Valuer in respect of the preparation of the Valuation Report.

We have reviewed the scope of work of the engagement of the Independent Valuer for the Valuation Report. We are of the view that the scope of work is appropriate to the opinion required to be given by the Independent Valuer and we are not aware of any limitation on the scope of work which might adversely impact on the assurance level as set out in the Valuation Report. We have enquired the Independent Valuer and they confirmed that they are independent from the Company, the Vendor, the Purchaser and the Target Company, and their respective core connected persons and associates.

The Independent Valuer also advised that they had discussion with the Management on the industry and the development of Target Group and they considered that they have obtained adequate information from the sources described in the Valuation Report to provide a reliable opinion on appraised value of the Target Group. The Independent Valuer also advised that they have no reason to believe that any material facts have been withheld from them.

**b. Valuation methodology**

As advised by the Independent Valuer, in the process of valuing a business subject, they have taken into consideration of business nature, assets type, specialty of its operations, assets owned, and liabilities assumed and industry it is participating.

We note that the Independent Valuer considered the three generally accepted valuation approaches, namely market approach, asset approach and income approach. We have discussed with the Independent Valuer the reasons for selecting the income approach and the reasons for not adopting the market approach or asset approach as the primary valuation methodology. Our assessment is set out below.

*Market approach*

As advised by the Independent Valuer, under the market approach, the Independent Valuer has considered two commonly used methods of valuation, namely the comparable transaction method and the guideline public company method.

We understand from the Independent Valuer that the comparable transaction method was not adopted as there were insufficient recent and directly comparable transactions involving PRC water supply businesses with similar loss-making profile, net liabilities position, regulatory background and litigation-related exposure. We consider such view reasonable because the Target Group is subject to specific circumstances arising from the Cessation Notice and the Disputes and Litigations, and a transaction multiple derived from companies or assets without similar litigation burden and cost structure may not provide a meaningful benchmark.

We also understand from the Independent Valuer that the guideline public company method was not adopted as a primary valuation method. Although the Independent Valuer identified certain listed companies engaged in water supply and related services for the purpose of deriving the weighted average cost of capital ("**WACC**") inputs, these companies were not used for valuation multiple analysis. We have discussed this with the Independent Valuer and note that:

(i) sales-based multiples such as price-to-sales or enterprise value-to-sales would not reflect the Target Group's high water purchase cost and compressed profit margin caused by the mandatory purchase of water from the Government-designated Water Plant;

(ii) earnings-based multiples such as price-to-earnings, enterprise value-to-EBIT and enterprise value-to-EBITDA are not meaningful given that the Target Group recorded operating losses and net losses during the track record periods; and

(iii) asset-based multiples such as price-to-book are not meaningful given that the Target Group had net liabilities of approximately HK$626.86 million as at 31 December 2025.

Having considered the above, we consider that it is reasonable not to adopt the market approach as a primary valuation method.

*Asset approach*

Asset approach is not appropriate as the cost of reproducing and replacing its assets ignore the future economic benefits of the business as a whole, and thus the asset approach is not a good and relevant valuation method.

We have discussed with the Independent Valuer and understand that, while the Target Group owns certain operating assets such as water pipeline, motor vehicles, plant and equipment used in its water supply and testing operations, the value of such assets should be assessed in the context of the Target Group's operating environment, including its ability to generate future cash flows, its regulated water supply business, its loss-making track record and the Disputes and Litigations. We also note that the Target Group was in a significant net liabilities position as at 31 December 2025. Accordingly, a valuation based merely on replacement cost or book value of individual assets would not appropriately capture the economic burden of the Target Group's liabilities and its ability to generate returns. We therefore consider it reasonable not to adopt the asset approach as a primary valuation method.

*Income approach*

The Income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realising those benefits. Having reviewed the stable customer base and discussed with the Company, the Independent Valuer considered that projections can be estimated and made with supportable and reasonable basis by making reference to historical financial results of the Target Group, and thus the income approach is considered by the Independent Valuer to be the most appropriate method in determining the Valuation.

We have reviewed the Management projections adopted by the Independent Valuer and note that such projections cover the financial years ending 31 December 2026 to 2030. The projections were prepared by the Management with reference to the Target Group's historical financial results, expected water supply volume, expected average selling price, historical cost structure and expected operating expenses. Given that the Target Group continues to operate water supply and related services in Qingcheng District and has an existing customer base, we consider that the adoption of income approach, based on free cash flow available to the business as a whole ("**FCFF**"), is an appropriate methodology to reflect the future economic benefits of the Target Group, subject to the assumptions adopted in the projections.

Having considered the three general valuation methodologies, the Independent Valuer advised that the income approach would be appropriate and reasonable in the valuation of the Target Group and adopted FCFF for valuing the Target Group.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**c. Review of projections and key quantitative inputs**

In arriving at the Valuation, the Independent Valuer reviewed the projections provided and prepared by the Management for the periods from January 2026 through December 2030. The major elements of the projection included revenue, cost of sales, operating expenses and taxes.

*Revenue*

We have discussed with the Management and the Independent Valuer the revenue assumptions adopted in the projections. We understand that revenue mainly comprises income from sales of water to end-customers for industrial, commercial and household usage, and income from water quality testing services and other water-related services. Revenue growth from water sales is mainly driven by the expected increase in water supply volume of approximately 5.0% and the expected increase in average selling price of approximately 2.0% per annum. Revenue from water quality testing services and other water-related services is expected to grow at a gradually declining rate and approach approximately 2.0% in the long run.

In assessing the reasonableness of the revenue assumptions, we have considered that the Target Group continues to provide water supply services to Qingcheng District and had an established customer base. We have also considered the historical revenue of the Target Group of approximately HK$241.8 million for the year ended 31 December 2023, HK$333.7 million for the eighteen months ended 30 June 2025 and HK$113.6 million for the six months ended 31 December 2025. For comparison purposes, we converted the historical revenue figures from HK$ into RMB using the exchange rate of HK$100 = RMB89.9944 as at 31 December 2025. Based on this exchange rate, revenue of HK$241.8 million of the Target Group in FY2023 was equivalent to approximately RMB217.6 million, revenue of HK$333.7 million of the Target Group for the 18 months ended 30 June 2025 was equivalent to approximately RMB300.3 million, or annualised RMB200.2 million, and revenue of HK$113.6 million of the Target Group for the 6 months ended 31 December 2025 was equivalent to approximately RMB102.2 million, or annualised RMB204.5 million.

We further reviewed the detailed forecast spreadsheet, including the breakdown by water supply volume, average selling price, water testing services and other water-related services, and discussed the assumptions with Management and the Independent Valuer.

The FY2026 projected revenue of approximately RMB211.7 million was approximately 2.7% lower than FY2023 revenue, approximately 5.7% higher than the annualised revenue for the 18 months ended 30 June 2025, and approximately 3.5% higher than the annualised revenue for the 6 months ended 31 December 2025. The FY2030 projected revenue of approximately RMB274.5 million represented an implied a compound annual growth rate of approximately 6.7%.

We noted that the projected 5% annual growth in water supply volume during FY2026 to FY2030 was higher than the recent historical average, but we considered it acceptable having regard to the Target Group's operating history, Management's expectation of future water demand and the nature of water supply as an essential utility service. Furthermore, as discussed with the Independent Valuer, lowering the annual growth rate as to align the recent historical average would not have any effect on the Valuation.

We also noted that the projected 2.0% annual increase in average selling price was based on inflation expectation, which is based on the macroeconomic growth and historical inflation rate in China of approximately 2.0% throughout the projection.

Base on the above, we therefore, on a totality basis, consider the revenue assumptions adopted in the projections to be fair and reasonable.

*Cost of sales*

We have reviewed the cost of sales assumptions and understand that cost of sales mainly comprises water purchase cost, material cost, labour cost and other direct costs incurred in the water supply business and water-related services. The cost of sales was projected by reference to the latest financial year and historical cost-to-sales ratio. We note that the projected cost of sales represents approximately 79.2%, 79.2%, 79.3%, 79.4% and 79.7% of projected revenue for FY2026, FY2027, FY2028, FY2029 and FY2030, respectively.

Given that the Target Group's high water purchase cost from the Government-designated Water Plant has been a principal reason for its loss-making position, we consider that adopting a cost structure based on the latest financial year and historical cost-to-sales ratio is a reasonable approach.

*Operating expenses*

We have reviewed the operating expenses assumptions and understand that operating expenses mainly comprise management fees, depreciation, rental expenses and other general administrative costs. Such expenses were determined based on relevant tenancy agreements or projected to increase at approximately 2.0% per annum. We note that operating costs are projected to remain broadly stable, from RMB49.2 million in FY2026 to RMB46.5 million in FY2030. We consider this assumption reasonable given that a substantial portion of the Target Group's operating expenses is fixed or semi-fixed in nature.

*Tax*

We note that the Independent Valuer adopted the PRC corporate income tax rate of 25% throughout the projection period. We consider such tax assumption reasonable as it is consistent with the statutory enterprise income tax rate generally applicable to PRC enterprises.

*Working capital and capital expenditure*

We have reviewed the non-cash working capital assumptions adopted by the Independent Valuer, comprising account receivables turnover days of approximately 55.8 days, inventory turnover days of approximately 9.6 days and account payables turnover days ranging from approximately 72.6 days to 90.0 days. We understand that these assumptions were made by reference to the Target Group's historical track record and the Management's internal assessment. We consider that the use of historical working capital turnover as reference is reasonable given the continuing nature of the Target Group's water supply business.

We have also discussed with the Independent Valuer the capital expenditure assumptions and understand that maintenance capital expenditure throughout the projection period was provided by the Management based on estimated acquisition and maintenance costs, and approximates depreciation and amortisation expenses in the terminal year. As the Target Group operates a water supply business requiring ongoing maintenance of pipeline and related facilities, we consider the inclusion of maintenance capital expenditure in the FCFF calculation to be appropriate.

*Discount rate*

The Independent Valuer then adopted the weighted average cost of capital as the discount rate representing the total expected rate of return that an investor would demand on the purchase price of an ownership interests in an asset given the level of risk inherent in the Target Group. The analysis suggested that a discount rate of 10.6% is appropriate for valuing the Target Group at the Valuation Date.

We have discussed with the Independent Valuer the basis of each input to arrive at the WACC. We note that (i) the risk-free rate was based on the 10-year yield of China Government Bond; (ii) the equity beta and capital structure were derived by reference to comparable companies; (iii) the market risk premium was sourced from Bloomberg and Damodaran Online, a common and widely used information source of valuation, corporate finance and investment management; (iv) the size premium was based on research published by Duff & Phelps, LLC; and (v) the company specific risk premium was adopted to reflect risks specific to the Target Group, including uncertainty of profitability and its track record.

We have reviewed the profiles of eight comparable companies selected by the Independent Valuer for the purpose of deriving beta and capital structure. We understand that these companies were selected on the basis that they are publicly listed with financial information available as at the Valuation Date, generate major revenue from water supply and related services, and generate revenue mainly in China.

We note that the comparable companies were used only for deriving WACC inputs, and not for deriving valuation multiples. Having considered that these companies are principally engaged in water supply and related services in China, we consider that they form a relevant reference group for assessing market-derived risk and capital structure for WACC purposes.

Having reviewed the WACC components and discussed the same with the Independent Valuer, we consider the discount rate of 10.6% adopted in the Valuation to be reasonable.

*Terminal growth rate*

The Independent Valuer adopted a terminal growth rate of 2.0%, which was determined by reference to historical GDP and inflation rate. We have discussed with the Independent Valuer and note that the terminal growth rate is intended to reflect long-term growth expectations after the explicit forecast period. Given the regulated and mature nature of the water supply industry and the long-term nature of demand for water supply services, we consider the terminal growth rate of 2.0% to be reasonable.

*Calculation*

Based on the Valuation Report, the sum of discounted FCFF was approximately RMB189.7 million. After adjusting for net non-operating assets of approximately negative RMB608.7 million, the firm value was approximately negative RMB419.0 million. After further deducting surplus debt of approximately RMB182.3 million, the implied 100% equity value of the Target Company was nil, as the resulting equity value would otherwise be negative.

We note that the nil equity valuation does not mean that the Target Group has no business operation. Rather, it reflects that the future cash flows of the Target Group are insufficient to cover its surplus debt and non-operating liabilities, including liabilities related to the Disputes and Litigations.

*Sensitivity considerations*

We have reviewed the sensitivity analysis prepared by the Independent Valuer. The sensitivity analysis varied the discount rate by plus or minus 1.0% and the terminal growth rate by plus or minus 1.0%.

The fair value of the Sale Shares remains nil under reasonable changes in the discount rate and terminal growth rate. We have also discussed with the Independent Valuer the sensitivity of the Valuation to other key assumptions, including revenue growth and water purchase costs. We understand that, given the magnitude of the outstanding liabilities and surplus debt, reasonable variations in such assumptions would not result in a materially positive equity value unless there is a fundamental change in the Target Group's litigation exposure and cost structure. In particular, any operational upside would first be absorbed by the Target Group's existing liabilities before generating residual equity value for its shareholders.

Based on our review of the Valuation Report, discussions with the Independent Valuer and the Management, and review of the key assumptions and quantitative inputs described above, we consider that the valuation methodology adopted by the Independent Valuer and the bases and assumptions adopted in the Valuation are fair and reasonable.

As set out in the Valuation Report, based on the above analysis, the implied value of the equity interest of the Target Group amounted to RMB0.

**d. Assumptions**

The following major assumptions have been adopted in the Valuation:

(i) The Target Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to the Target Group;

(ii) To continue as a going concern, the Target Group will successfully carry out all necessary activities for the development of its business;

(iii) The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

(iv) The audited/unaudited financial and operational information of the Target Group as supplied to the Independent Valuer have been prepared in a manner which truly and accurately reflect the financial position of the Target Group as at the respective balance sheet dates;

(v) The availability of financing will not be a constraint on the forecast growth of the Target Group's operations;

(vi) Market trends and conditions where the Target Group operates will not deviate significantly from the economic forecasts in general;

(vii) Key management, competent personnel and technical staff will all be retained to support ongoing operations of the Target Group;

(viii) There will be no material changes in the business strategy of the Target Group and its expected operating structure;

(ix) Interest rates and exchange rates in the localities for the operations of the Target Group will not differ materially from those presently prevailing;

(x) All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

(xi) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Group.

Based on the discussion with the Independent Valuer and the review on the Valuation Report, the Directors concur with the view of the Independent Valuer that the valuation methodology adopted by the Independent Valuer is fair and reasonable to establish the Valuation, and the bases and assumptions for the Valuation are fair and reasonable.

We note that the implied nil equity value does not necessarily indicate that the Target Group has no operational activities; rather, it reflects that, after deducting surplus debt and other non-operating liabilities, the equity value attributable to shareholders is negative. In other words, even if the enterprise value of the Target Group remains positive, such value is insufficient to cover its debt and litigation-related exposures, thereby resulting in nil equity value.

**H. Financial effects of the Disposal**

Following Completion, all the members of the Target Group will cease to be subsidiaries of the Company, and the results and assets and liabilities of the Target Group will no longer be consolidated to the financial statements of the Group.

Based on preliminary assessment and the unaudited financial information of the Target Group for the six months ended 31 December 2025, the Company is expected to record a gain on disposal of approximately HK$308.01 million in the statement of profit or loss, before deducting transaction costs associated with the Disposal such as professional fees, tax and expenses. The calculation of the gain on Disposal is set out as below:

| | *HK$'000* |
|---|---|
| Net liabilities of the Target Group as at 31 December 2025 | (626,861) |
| The Company's interest in 49% of the equity interest of the Target Company as at 31 December 2025 | (307,162) |
| Add: | |
| – Non-controlling interests | (17,248) |
| – Exchange reserves | 25,846 |
| **Net liabilities attributable to the shareholders of the Company** | 298,564 |
| Add: | |
| – Consideration of RMB8,500,000 (based on the exchange rate of HK$100 to RMB89.9944 as at 31 December 2025) | 9,445 |
| Expected gain on Disposal | 308,009 |

We emphasise that such gain is primarily an accounting gain arising from the deconsolidation of net liabilities of the Target Group, rather than a cash profit generated from operations. The Disposal does not in itself improve the underlying profitability of the Remaining Group, but it is expected to improve the Group's net asset position and gearing ratio as a result of deconsolidation.

In our assessment of the fairness and reasonableness of the Disposal, we have not placed primary reliance on the accounting gain itself. Rather, we have considered the accounting gain together with the underlying reasons giving rise to such gain, namely the deconsolidation of the Target Group's net liabilities and the reduction of the Group's financial exposure to the Target Group after Completion.

**I. The Remaining Group**

Prior to the Completion, the Group is presently providing water supply and related services in two districts in Qingyuan City, namely: (a) Qingcheng District, via the Target Group; and (b) Qingxin District, via the Remaining Water Group. Each of these sub-groups has its own filtering plant, pipeline network, customer base, management team and staff team, capable of operating on standalone basis. By way of illustration, the Target Group and the Remaining Water Group: (a) had approximately 276,000 and 107,000 customer accounts, respectively, as at 30 June 2026; and (b) had 247 and 137 staff headcounts, respectively, as at 31 July 2026. Although the two sub-groups have arranged for interconnection of water networks with the view to leveling water pressure, supply and demand under the supervision and guidance of local water authorities, each sub-group also has its own river water source. As the Remaining Water Group possesses its own river water source which is sufficient to meet its own demand and such water source is entirely independent from the Target Group, the Directors (including the independent non-executive Directors) are of the view that the Disposal is not expected to have any material adverse effect on the normal operations of the Remaining Water Group.

**Continuing Transactions**

Based on the reasons as set out in the paragraph headed "Continuing Transactions" in the Letter from the Board, the Directors do not expect that any continuing transactions between the Remaining Group and the Target Group would become connected transactions of the Company which cannot meet any conditions for exemptions under the Listing Rules. If there is any subsequent change in circumstances giving rise to any non-exempt connected transactions, the Company will ensure compliance with the relevant provisions of the Listing Rules.

**J. Use of proceeds from the Disposal**

As set out in the Letter from the Board, the Board intends to apply the Consideration (after deducting costs related to the transaction) for the Group's general working capital, including the payment of office overheads, rental and staff expenses, and professional fees.

Having considered the aforementioned factors, in particular (i) the Consideration of RMB8.5 million is higher than the valuation of the Sale Shares of the Target Group of nil as at the valuation date; (ii) the Consideration was determined with reference to the Target Group's free cash on book after taking into account expected litigation-related costs; (iii) the Target Group was in a significant net liabilities position and had a loss-making track record; (iv) the Disposal is expected to reduce the Group's exposure to the Target Group's liabilities and litigation-related risks upon Completion; and (v) the Group expected to record a gain on Disposal of approximately HK$308.0 million, we concur with the Board's view that, though the Disposal is not conducted in the ordinary and usual course of business of the Group due to its nature as a disposal of equity interest in a subsidiary, the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

**RECOMMENDATION**

Having considered:

(i) the nil equity valuation of the Target Group;

(ii) the Target Group's persistent operating losses and net liabilities position;

(iii) the significant and ongoing litigation exposure of the Target Group;

(iv) the improvement in the Group's consolidated financial position upon deconsolidation of the Target Group;

(v) the cash Consideration being higher than the assessed equity value;

(vi) the basis of determining the Consideration with reference to the Target Group's free cash on book after taking into account planned litigation-related costs and expenses; and

(vii) the expected gain on Disposal of approximately HK$308.0 million,

we are of the view that, although the Disposal is not conducted in the ordinary and usual course of business of the Group due to its nature as a disposal of equity interest in a subsidiary, the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposal, although involving a connected person, does not constitute a transfer of value away from the Independent Shareholders and hence is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour, and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Disposal.

Yours faithfully
For and on behalf of
**Red Sun Capital Limited**
**Robert Siu**
*Managing Director*

*Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 27 years of experience in the corporate finance industry.*

## 1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the two years ended 31 December 2022 and 2023, for the eighteen months ended 30 June 2025, and for the six months ended 31 December 2025 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.uth.com.hk) :

- pages 82 to 166 of the annual report of the Company for the year ended 31 December 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042801256.pdf)
- pages 85 to 168 of the annual report of the Company for the year ended 31 December 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043001484.pdf)
- pages 85 to 170 of the annual report of the Company for the eighteen months ended 30 June 2025 (https://www1.hkexnews.hk/listedco/listconews/sehk/2025/1030/2025103000553.pdf)
- pages 4 to 31 of the interim report of the Company for the six months ended 31 December 2025 (https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0331/2026033103383.pdf)

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2026, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

**Bank borrowings**

As at 30 June 2026, the Group had secured and guaranteed bank borrowings of approximately RMB588,260,000 (equivalent to approximately HK$680,284,000) bear interest rates ranged from 3.85% to 5.35% per annum, and were secured by trade receivables of approximately RMB42,639,000, certain investment properties of approximately RMB432,000,000, equity interests in several subsidiaries, land use right under service concession agreement of approximately RMB198,000, guarantee by several subsidiaries of the Company, guarantee by the non-controlling shareholders of subsidiaries and business associate, guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse.

**Lease liabilities**

As at 30 June 2026, the Group had lease liabilities of approximately HK$34,568,000 representing present value of the remaining lease payments for certain leased properties in accordance with HKFRS 16.

**Contingent liabilities**

As at 30 June 2026, the Group did not have any significant contingent liabilities.

As at 30 June 2026, being the latest practicable date for determining indebtedness, save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities, nor any authorised or otherwise created but unissued debt securities.

## 3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the Group's existing cash and bank balances, internal resources, the expected cash flow and the net proceeds from the Disposal, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

## 4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or prospects of the Group since 30 June 2025, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group is principally engaged in (i) the supply of pipelined water, together with related customer services, such as water quality inspection, water pipe repairs and maintenance, and water meter maintenance and replacement (i.e. the Water Supply Business); (ii) property investment and development in the PRC and overseas (i.e. the Property Business); and (iii) the provision of financial services (i.e. the Financial Business).

### (i) The Water Supply Business

As at the Latest Practicable Date, the Group provides water supply and related services to two districts in Qingyuan City, namely: (a) Qingcheng District, via the Target Group; and (b) Qingxin District, via the Remaining Water Group. Each of these sub-groups has its own filtering plant, pipeline network, customer base, management team and staff team, capable of operating on standalone basis. Upon Completion, the Remaining Group will continue to provide water supply and related services to Qingxin District via the Remaining Water Group. As the Remaining Water Group possesses its own river water source which is sufficient to meet its own demand and such water source is entirely independent from the Target Group, the Directors (including the independent non-executive Directors) are of the view that the Disposal is not expected to have any material adverse effect on the normal operations of the Remaining Water Group.

The Directors consider that the Disposal represents a good opportunity for the Group to (i) reduce the Group's risks exposures arising from the Disputes and Litigations (as disclosed in the paragraph headed "7. MATERIAL LITIGATION" in Appendix V below); (ii) cease the adverse impact of high water costs sought to be charged by the Government-designated Water Plant on the Group's profitability; and (iii) deconsolidate the Trade Payables arising from Water Business operated by the Target Group and Other Payable arising from Ancillary Charges, both presently classified as current liabilities, from the Group's consolidated financial statements, thereby substantially improving the Group's net assets and net current assets/(liabilities) positions. The Directors further note that the Disposal only involves the disposal of part, but not all, of the Group's Water Supply Business, and that the Company has no plan to dispose of, in the next twelve months, its remaining business of water supply in Qingxin District carried out by the Remaining Water Group which, together with the Property Business and the Finance Business, are viable, sustainable and of substantial level of operations and asset value.

**(ii) The Property Business**

On 1 August 2025, Shenzhen Huanye Universal Technologies Co., Ltd. ("**Shenzhen Huanye**"), an indirect wholly-owned subsidiary of the Company, and Guangzhou Jincheng Real Estate Development Co., Ltd. ("**Guangzhou Jincheng**") entered into the non-legally binding framework agreement in relation to the proposed acquisition of Dongshan Jinxuan Modern Mall (the "**Mall**"), a commercial complex situated in Yuexiu District, Guangzhou, Guangdong Province, the PRC. The Mall is located at the prime location, comprising of retail shops, restaurants and cafes, beauty and fitness centres, tuition centres, and parking spaces. As at the Latest Practicable Date, the Mall was leased out and generated stable rental income for the Group. The Directors believe that entering into the framework agreement will strengthen the Group's income stream and real estate portfolio. Furthermore, the Group holds a number of properties in Qingyuan City, Shanghai City and Guangzhou City in the PRC, and Australia. The Group will continue to focus on the Property Business, which provides a stable source of income for the Group. In the meantime, the Group will strive to explore promising property projects in the PRC and overseas and identify potential and new businesses and investment opportunities to enhance its market competitiveness, spread its risks and expand its revenue sources, so as to diversify the Group's business, strengthen its core business and achieve sustainable growth.

**(iii) The Financial Business**

As at the Latest Practicable Date, the Group was principally engaged in the provision of corporate finance advisory, asset management, securities brokerage services and margin financing, through the SFC-licensed corporations owned by the Group which are licensed to conduct Types 1, 6 and 9 regulated activities under the SFO.

Most clients of the brokerage and margin financing businesses are recurring, while the customers of corporate finance advisory business tend to be non-recurring. In recent years, the Group has launched marketing activities with the view to consolidating and expanding the client base of the Group, including: (a) the conducting of regular meetings and follow-ups with potential listed company clients to strengthen relationships and identify business opportunities; (b) the participation in industry collaboration and networking events, such as prominent conferences and forums, to promote the Group's financial services and connect with key industry peers; (c) the maintaining of regular digital outreach by providing the latest updates and festive greetings to clients and prospects through website announcements and email communications, reinforcing the presence and strengthening relationships; and (d) the inviting of key business partners and potential customers to visit the Group's office to understand the Group's services, explore business opportunities, and pitch potential transactions and deals, and fostering deeper connections and facilitate face-to-face collaboration.

In recent years, the Group has been in preliminary discussions with certain financial institutions in the PRC with the view to forming strategic cooperation for the cross-referral of clients. The Group monitored market conditions and exercised caution and prudence in rolling out these projects, limiting the exposure at times of depression. With the gradual stabilization of stock markets in Hong Kong and the PRC, the Group aims to speed up the expansion of the Financial Business in the future.

Looking ahead, the global landscape in 2026 is anticipated to be complex and volatile, presenting a year fraught with challenges. Amidst uncertainties such as weak market demand and the impact of political instability, the international economy is undergoing accelerated adjustment. Whilst China's economic growth has slowed under these influences, the Group remains committed to its overarching strategy of 'prioritising growth, reducing losses, and restructuring'. The Group will closely monitor the situation, maintain a cautious approach, strictly adhere to cost control, as well as regularly evaluate its business strategies in order to improve the Group's business operations and financial position. The Group will also continue to pursue the restructuring of its subsidiaries through negotiations with suppliers, while maintaining robust business relationships with its banks.

*The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Valplus Consulting Limited, an independent valuer, in connection with this valuation as at 31 December 2025 of the fair value of the 49% equity interest in the Target Company.*

Valplus Consulting Limited
Unit 917, 9/F, Houston Centre
63 Mody Road
Tsim Sha Tsui East
Hong Kong

25 August 2026

The Board of Directors,
Universal Technologies Holdings Limited,
Room A & B2, 11th Floor,
Guangdong Investment Tower,
No. 148 Connaught Road Central,
Sheung Wan,
Hong Kong

Dear Sirs/Madams,

**Re: Valuation of 49% equity interest in Qinghui Properties Limited**

In accordance with the instructions from Universal Technologies Holdings Limited ("**Company**" and together with its subsidiaries, "**Group**"), we have conducted a valuation of the fair value of 49% equity interest ("**Equity Interest**") in Qinghui Properties Limited ("**Qinghui Properties**" and together with its subsidiaries, "**Qinghui Properties Group**"), an indirectly owned subsidiary of the Company which is principally engaged in the water supply and related services in the Qingcheng District, Qingyuan City, the People's Republic of China ("**PRC**") through its operating subsidiaries. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the fair value of Qinghui Properties as at 31 December 2025 ("**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion on value.

## 1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for internal reference in connection with a proposed disposal ("**Proposed Disposal**") by the Company over the Equity Interest in Qinghui Properties.

The Proposed Disposal, if approved and materialized, would be a commercial decision made by the transacting parties and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Disposal, in which Valplus Consulting Limited ("**Valplus**") is not involved in the negotiation and has no comment on the agreed consideration.

Furthermore, this valuation report does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. We are not responsible for any unauthorized use of this report. Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

## 2. BASIS AND PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

Our valuation is based on going concern premise and conducted on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## 3. SOURCES OF INFORMATION

We relied on the following major documents and information in our valuation analysis. Some of the information and materials are furnished by the management of the Group, Qinghui Properties Group or its representatives (collectively, "**Management**"). Other information is extracted from public sources such as government sources, HKEXnews, Bloomberg and Kroll, LLC, etc., if applicable.

The major documents and information include the following:

- Business license(s) or certificate(s) of incorporation of Qinghui Properties Group;
- Announcement(s) and/or circular(s) made by the Company in relation to Qinghui Properties Group;
- Audited annual reports and/or unaudited interim reports of the Group;
- Historical financial information of Qinghui Properties Group including income statements and balance sheets provided by the Management; and
- Projections of Qinghui Properties Group prepared and provided by the Management ("**Projections**").

In the course of our valuation, we had discussion with the Management on the industry and the development of Qinghui Properties Group. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion on value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all the matters which an audit or more extensive examination might disclose.

In arriving at our opinion on value, it was assumed that the Projections provided to us were based on the assumptions reflecting the best available estimates, judgment and knowledge of the Management in relation to the proposed operations and are reasonable, reflecting market conditions and economic fundamentals. However, we do not express any opinion regarding the accuracy of the Projections provided by the Management.

We do not express an opinion as to whether the actual results of the operations of Qinghui Properties Group will approximate to the Projections because assumptions regarding future events by their nature are not capable of independent substantiation. We are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

## 4. COMPANY PROFILE

Qinghui Properties is a private limited liability company incorporated in the PRC on 11 November 2013 with registered capital of RMB50,000,000. Qinghui Properties acts as an investment holding company with nominal business activities and owns the entire equity interest in Qingyuan Water Supply Development Company Limited ("**WSD Company**" or "**Operating Subsidiary I**"), acting as the intermediate holding company to control 100% equity interests of Qingyuan Jincheng Water Testing Company Limited ("**WT Company**" or "**Operating Subsidiary II**" and together with Operating Subsidiary I, "**Operating Subsidiaries**") as major assets.

WSD Company is a private limited liability company established in the PRC on 24 December 2012 with registered capital of RMB98,521,400. WSD Company is principally engaged in the supply of pipelined water to Qingcheng District of Qingyuan City, Guangdong Province, the PRC.

WT Company is a private limited liability company established in the PRC on 29 September 2003 with registered capital of RMB1,600,000. WT Company is principally engaged in the provision of water quality testing services.

## 5. BUSINESS OVERVIEW

Qinghui Properties Group is principally engaged in the water supply and related services in the Qingcheng District of Qingyuan City. Prior to the cessation notice ("**Cessation Notice**"), WSD Company operated the water supply business by running the Qixinggang Water Plant located in Qingcheng District, with the optimal daily production capacity of 200,000 cubic meters.

On 3 March 2020, WSD Company received the Cessation Notice issued by the Water Resources Bureau of Qingyuan City ("**Water Bureau**"), pursuant to which the Water Bureau notified WSD Company of the decision of the People's Government of Qingyuan City (the "**Qingyuan Government**") to stop the water intake of Qixinggang Water Plant with effect from 4 March 2020 and to commence full water intake of another water plant designated by Qingyuan Government ("**Government-designated Water Plant**").

Pursuant to the Management, WSD Company has been purchasing water mainly from 清遠市水務投資集團有限公司江南水廠分公司 (unofficially translated as Jiangnan Water Plant Branch of Qingyuan City Water Supply Investment Group Company Limited and hereinafter, "**Jiangnan Water Plant**").

## 6. FINANCIAL OVERVIEW

The following tables set forth the selected historical financial results of Qinghui Properties Group for (i) the year ended 31 December 2023 ("**FY2023**"); (ii) the 18 months ended 30 June 2025 ("**FY2024/2025**"); and (iii) the 6 months ended 31 December 2025 ("**Partial Track Record Period**" and together with the FY2023 and FY2024/2025, "**Track Record Periods**"). We have only reviewed the consolidated financial accounts of Qinghui Properties Group provided by the Management without independent verification and audit.

| | **FY2023[1]** | **FY 2024/2025[1]** | **Six months ended 31 December 2025[1]** |
|---|---|---|---|
| *HK$ million* | | | |
| Revenue | 241.8 | 333.7 | 113.6 |
| Gross profit | 12.2 | (38.3) | 2.6 |
| EBIT | (6.7)[2] | (71.9)[2] | (7.6)[2] |
| Net profit | (64.7) | (133.0) | (42.5) |
| Total asset | 444.2 | 510.2 | 589.7 |
| Net asset | (439.6) | (574.3) | (626.9) |
| | | | |
| EBIT margin | (2.8)% | (21.5)% | (6.7)% |
| Net profit margin | (26.7)% | (39.8)% | (37.4)% |
| Return on asset | (14.6)% | (26.1)% | (7.2)% |

* *Figures above are subject to rounding.*

*Notes:*

1) The financial results are based on unaudited figures.

2) EBIT was adjusted to exclude any income or expense from non-operating or non-recurring items.

After discussion with the Management, the following summarizes the major financial performance of Qinghui Properties Group over the Track Record Periods.

- The revenue of Qinghui Properties Group was mainly generated from selling pipelined water to Qingcheng District of Qingyuan City and the provision of water quality testing services as operated by the Operating Subsidiaries. Pursuant to the Management, water has been delivered to end-customers for different usage, including but not limited to household usage, industrial usage and commercial usage;

- The significant operating loss and net loss throughout the Track Record Periods was mainly due to the much higher water costs imposed by the Government-designated Water Plant as compared to the Qinghui Properties Group's own production costs before the Cessation Notice;

- Major assets were the water pipeline, motor vehicles as well as plant and equipment as owned by WSD Company and WT Company for the operation of water supply business and water quality testing services.

## 7. ECONOMIC OVERVIEW

This section of economic overview is based on the research conducted by Hong Kong Trade Development Council ("**HKTDC**"). In 2025, China's real gross domestic product ("**GDP**") grew by 5.0% (year-on-year). In 2025, added-value industrial output increased by 5.9%, fixed-asset investment decreased 3.8%, retail sales climbed 3.7% year-on-year. In 2025, China's exports rose 5.5% year-on-year in U.S. dollar terms while imports remained unchanged, resulting in a trade surplus of US$1,189 billion for the year. The Manufacturing Purchasing Managers' Index increased from 49.2 in November to 50.1 in December 2025.

| | 2024 | | 2025 | |
|---|---|---|---|---|
| | *Value* | *Growth (%)* | *Value* | *Growth (%)* |
| Gross domestic product *(RMB billion)* | 134,908.4 | 5.0 | 140,187.9 | 5.0 |
| GDP per capita *(RMB)* | n/a | n/a | n/a | n/a |
| Fixed asset investment *(RMB billion)* | 51,437.4 | 3.2 | 48,518.6 | –3.8 |
| Added-value of industrial output | n/a | 5.8 | n/a | 5.9 |
| Consumer goods retail sales *(RMB billion)* | 48,789.5 | 3.5 | 50,120.2 | 3.7 |
| Consumer price index | n/a | 0.1 | n/a | 0.8 |
| Exports *(US$ billion)* | 3,577.2 | 5.9 | 3,771.9 | 5.5 |
| Imports *(US$ billion)* | 2,585.1 | 1.1 | 2,582.9 | 0.0 |

***Table 1: Key economic matrix of China (2024 – 2025)***

*Source: HKTDC*

## 8. INDUSTRY OVERVIEW

This section of the industry overview is based on the research conducted and data provided by (i) the National Bureau of Statistics of China; (ii) website of the State Council of the People's Republic of China; (iii) chinabgao.com; and (iv) sina.com.

### Water Supply and Water Use

According to the National Bureau of Statistics of China, the total water supply volume in the year of 2024 reached approximately 592.8 billion cubic metres, composed by 489.24 billion cubic metres surface water, 78.4 billion cubic metres from ground water and 25.16 million cubic metres from other supply sources. Among the water usage volume, which was equivalent to the aforesaid water supply volume, agricultural usage, industrial usage, household usage and ecosystem usage occupied respectively 364.8 billion cubic metres, 97.1 billion cubic metres, 92.7 billion cubic metres and 38.2 billion cubic metres. It was reported that China has invested approximately US$182.4 billion in the construction of water conservancy facilities in 2025, and approximately 47,000 water conservancy projects were carried out during the year, which provides strong support for water supply control. It was also reported that the water resources departments at all levels have made notable strides in flood and drought disaster prevention, the restoration of river and lake ecosystems, and the development of related digital systems in 2025. Credit to the combination of strict policy, advanced technology, and rising public awareness, China has managed to keep total water consumption flat for nearly a decade, even as its GDP and population have continued to grow.

**Water Supply and Related Services Industry**

The Chinese water supply industry has entered a state of high maturity and the era of building new networks to connect every household is ending. Currently, the urban water supply penetration rate has surpassed 99.0%, indicating that the market for basic access is saturated. This saturation, combined with China's population entering a negative growth phase since 2022 and urbanization slowing, means the traditional growth model of "more people, more water" is no longer sustainable. The water supply business focus is therefore pivoting from building new infrastructure to meticulously managing and upgrading existing assets. This "stock optimization" approach is centred on improving the quality, safety, and efficiency of the current water supply system.

**Key Drivers of the Industry**

*(i) Infrastructure Upgrade Cycles*

A significant portion of urban water supply networks are aging and require urgent renovation. This is a primary driver of current investment, shifting from building new pipelines to replacing old, leaky ones. The goal is to reduce the urban public water supply network leakage rate to below 9.0%.

*(ii) Quality over Quantity*

Demand is evolving from simply "having water" to having "good water". Consumers and industries are demanding higher water quality and more reliable service, pushing companies to adopt advanced treatment processes and improve customer service.

*(iii) Technological Enablement*

Digital transformation is a major growth engine. The smart water market is projected to grow at a compound annual growth rate of approximately 18.7%, reaching nearly RMB136.8 billion by 2029. This includes technologies like Internet-of-Things sensors for real-time monitoring, digital twin systems for simulation, and AI for predictive maintenance and leak detection.

**Structural Challenges Facing the Industry**

*(i) Aging Assets and Rising Costs*

The massive stock of pipelines and facilities built in the past is now entering a renewal cycle. This brings high maintenance costs and operational challenges like water leakage, which are more complex and less financially attractive to manage than new construction projects.

*(ii) The Price-Cost Squeeze*

Water utilities face continuously rising costs for raw water, energy, labour, and treatment chemicals. However, water pricing is heavily regulated and subject to government approval, often leading to a situation where price adjustments lag behind cost increases. This cost-pass-through difficulty squeezes profit margins and creates sustainability issues for many water companies.

*(iii) Financial Pressures on Utilities*

Analysis shows that while revenues have grown, profitability has been under pressure. For instance, the total profit of the industry saw a year-on-year decrease of 12.1% in 2022. Furthermore, due to local government fiscal pressures, water utilities are facing slower payments, leading to a decline in their accounts receivable turnover and cash flow from operations as well as a continues rise in total debt.

## 9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to historical performance, operations and industry, and other relevant information of Qinghui Properties. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to financial information and other pertinent data concerning Qinghui Properties provided to us by the Management.

The valuation of Qinghui Properties requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of Qinghui Properties;
- Historical information of Qinghui Properties;
- Financial condition of Qinghui Properties;
- Proposed business development of Qinghui Properties;
- Nature, terms and conditions of relevant agreements, contracts, licenses, permits and rights, if applicable;
- Expected economic income from relevant agreements, contracts, licenses, permits and rights, if applicable;
- Regulations and rules of relevant industries;
- Economic and industry data affecting markets and other dependent industries;

- Market-derived investment return(s) of similar business; and
- General global economic outlook.

## 10. GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to value a business subject:

- Market approach;
- Asset approach; and
- Income approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive. A more detailed discussion of each approach is presented in the *ADDENDUM I – VALUATION APPROACHES* of this report.

## 11. VALUATION ANALYSIS

### 11.1. Methodology

In the process of valuing a business subject, we have taken into consideration of business nature, assets type, specialty of its operations, assets owned, and liabilities assumed and industry it is participating. Having considered the three general valuation methodologies, we believed that the income approach would be appropriate and reasonable in the valuation of Qinghui Properties.

- Having reviewed the stable customer base and discussed with the Management, projections can be estimated and made with supportable and reasonable basis by making reference to historical financial results;
- Comparable transaction method is not recommended as there are insufficient direct comparable transactions in the market to form a reliable opinion on value;
- Under the guideline public company method, valuation multiple based on sales is not appropriate as sales does not capture relevant cost of productions and operations, and thereby fails to reflect the true earning power of the subject;

- Qinghui Properties has been incurring net operating loss and with net liabilities position over the track record periods; and thus multiples based on operating profits, net profits and net asset value are not good and applicable indicators;

- The cost of reproducing and replacing its assets ignore the future economic benefits of the business as a whole, and thus the asset approach is not a good and relevant valuation method.

Based on the above concerns, we therefore relied solely on the income approach in determining our opinion on value. It is simple adopting the income approach to state the value of a business in present value terms. This method is well accepted by most analysts and practitioners. One common method under the income approach is by looking from the perspective of the firm's investors including shareholders and debtholders. That is the free cash flow available to the business as a whole ("**FCFF**").

### 11.2. Projections

Projections were provided and prepared by the Management for the periods from January 2026 through December 2030. We have reviewed the calculation and had discussion with the Management regarding the assumptions and basis of the Projections as below:

| | **FY2026** | **FY2027** | **FY2028** | **FY2029** | **FY2030** |
|---|---|---|---|---|---|
| *RMB million* | | | | | |
| Revenue | 211.7 | 226.8 | 242.3 | 258.2 | 274.5 |
| Cost of sales | (167.6) | (179.6) | (192.0) | (205.1) | (218.7) |
| Operating cost | (49.2) | (49.8) | (50.0) | (49.0) | (46.5) |
| EBIT | (5.1) | (2.6) | 0.3 | 4.2 | 9.4 |
| Income tax | - | - | (0.1) | (1.0) | (2.3) |
| Net profit | (5.1) | (2.6) | (0.2) | 3.1 | 7.0 |

* *Figures above are subject to rounding*

***Revenue***

Revenue mainly comprises income from (i) the sales of water to end-customers for usage including but not limited to the industrial, commercial and household sectors; and (ii) the provision of water quality testing services as well as other side services in relation to the water supply business, including but not limited to cleaning of water storage facilities and maintenance of pipelines. Regarding the income from sales of water, the revenue growth is mainly driven by (i) the expected increase in water supply volume which is approximately 5.0% by making reference to the historical track records, and (ii) the average selling price per cubic meter of water which is based on the macroeconomic growth and historical inflation rate in China of approximately 2.0% throughout the projection.

Regarding the income from the provision of water quality testing services and other water-related services, it is expected that the growth rate will gradually decline throughout the projections and will approach to approximately 2.0% in long-run.

***Cost of Sales***

Cost of sales mainly comprises purchase cost of water, material cost, labour cost and other direct costs incurred in the water supply business and water-related services. The overall historical cost to sales ratios were approximately 83.7%, 97.1%, 65.8%, 80.9% and 65.4% respectively over the five-year track record period. The fluctuations were primarily attributable to variations in project mix and changes in direct costs incurred in individual years. To mitigate the impact of short-term fluctuations and reflect the long-term operating performance of the business, the projected cost of sales was determined with reference to the averaged cost-to-sales ratio derived from the historical track record period.

The water supply business has reached a relatively mature stage of development with an established operating model, customer base and procurement arrangements. Besides, cost of sales mainly comprises direct costs which have historically demonstrated a relatively stable relationship with revenue. Therefore, no material change in the cost-to-sales ratio is expected during the projection period.

***Operating Expenses***

Operating expenses mainly related to the management fee, depreciation, rental expense and other general administrative costs, which are determined based on the relevant tenancy agreements or increase at a growth rate of approximately 2.0% throughout the projections.

***Taxes***

Qinghui Properties is subject to the China corporate income tax rate of 25% throughout the projection period.

Based on the Projections, revenue is forecast to increase steadily throughout the forecast period, primarily attributable to the expected increase in water supply volume and the expected increase in average selling price, whereas a substantial portion of Qinghui Properties 's operating and administrative expenses is relatively fixed in nature and is expected to remain broadly stable during the forecast period. Accordingly, it reflects a gradual improvement in profitability over the forecast period.

**11.3. Discount Rate**

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interests in an asset given the level of risk inherent in that ownership interests. In this valuation, the discount rate applied to the cash flow streams attributable to Qinghui Properties is the weighted average cost of capital ("**WACC**").

The following criteria have been adopted for the selection of comparable sample:

- Publicly listed with financial information available as at the Valuation Date;
- Major revenue generated from the water supply and related services; and
- Revenue mainly generated in China.

Based on the above searching criteria, on best effort basis, we shortlisted the following exhaustive list of comparable companies. The basic profiles of the selected comparable companies are set out in *ADDENDUM II – COMPARABLE COMPANIES PROFILE* of this report.

| **Comparable company** | **Stock code** |
|---|---|
| Guangdong Shunkong Development Co., Ltd. | 003039 CH |
| Anhui Shunyu Water Co., Ltd. | 301519 CH |
| Wuhan Xianglong Power Industry Co., Ltd. | 600769 CH |
| Jiangsu Jiangnan Water Co., Ltd. | 601199 CH |
| Jiangsu United Water Technology Co., Ltd. | 603291 CH |
| China Water Affairs Group Ltd. | 855 HK |
| Universal Technologies Holdings Ltd. | 1026 HK |
| Taizhou Water Group Co., Ltd. | 1542 HK |

*Source: Bloomberg*

Our analysis suggested that a discount rate of 10.6% is appropriate for valuing Qinghui Properties as at the Valuation Date. A more detailed discussion is presented in *ADDENDUM III – DISCOUNT RATE DERIVATION* of this report.

### 11.4. Non-cash Working Capital

The non-cash working capital is estimated by making reference to the historical track record of the valuation subject and internal assessment by the Management as set forth below:

| | |
|---|---|
| Account receivables turnover days | 55.8 |
| Inventory turnover days | 9.6 |
| Account payables turnover days | 72.6 – 90.0 |

* *Figures above are subject to rounding.*

### 11.5. Capital Investment

The maintenance capital expenditure throughout the projections is provided by management based on their estimated cost of acquisitions, and approximates to the depreciation and amortization expenses in the terminal year.

### 11.6. Terminal Growth

The terminal growth rate adopted is 2.0%, which is based on the historical GDP and inflation rate.

### 11.7. Non-operating Assets and Liabilities

In computing the value of Qinghui Properties, we have adjusted the assessed enterprise value for the non-operating assets and liabilities as at the Valuation Date. Based on the unaudited financial results provided by the Management, the non-operating assets and liabilities are as follows:

| | **RMB million** |
|---|---|
| Surplus debt[1] | (182.3) |
| Other non-operating assets | 54.5 |
| Other non-operating liabilities | (663.3) |

* *Figures above are subject to rounding.*

*Notes:*

1) This is the net of sum of excess cash and debt.

### 11.8. Calculation

Based on the above parameters and inputs, the calculation is presented as follows:

| | | **Formula** | **Input value** *RMB million* |
|---|---|---|---|
| 1) | Sum of discounted FCFF[1] | | 189.7 |
| 2) | Net non-operating assets[2] | | (608.7) |
| 3) | Firm value | (1) + (2) | (419.0) |
| 4) | Surplus debt | | (182.3) |
| 5) | 100% equity value | (3) - (4) | 0[3] |

* *Figures above are subject to rounding.*

*Note:*

1) FCFF for each year is determined as: earnings before interest after tax – non-cash working capital change – capital expenditure + depreciation and amortization.

2) These are the sum of the non-operating assets and the non-operating liabilities.

3) The firm value is lower than the surplus debt which yields a negative equity value.

### 11.9. Sensitivity Analysis

Sensitivity analysis in fair value of 49% equity interest in Qinghui Properties was carried out by varying discount rate and terminal growth rate, the results of sensitivity analysis are summarized as follows:

| *Discount Rate* | **RMB'000** |
|---|---|
| 11.6% (Base +1%) | 0 |
| 10.6% (Base) | 0 |
| 9.6% (Base -1%) | 0 |

| *Terminal growth rate* | **RMB'000** |
|---|---|
| 3.0% (Base +1%) | 0 |
| 2.0% (Base) | 0 |
| 1.0% (Base -1%) | 0 |

## 12. VALUATION ASSUMPTIONS

- Qinghui Properties Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to Qinghui Properties Group;

- To continue as a going concern, Qinghui Properties Group will successfully carry out all necessary activities for the development of its business;

- The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

- The audited/unaudited financial and operational information of Qinghui Properties Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of Qinghui Properties Group as at the respective balance sheet dates;

- The availability of financing will not be a constraint on the forecast growth of Qinghui Properties Group's operations;

- Market trends and conditions where Qinghui Properties Group operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support ongoing operations of Qinghui Properties Group;

- There will be no material changes in the business strategy of Qinghui Properties Group and its expected operating structure;

- Interest rates and exchange rates in the localities for the operations of Qinghui Properties Group will not differ materially from those presently prevailing;

- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where Qinghui Properties Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which Qinghui Properties Group operates or intends to operate, which would adversely affect the revenues and profits attributable to Qinghui Properties Group.

## 13. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Our work in connection with this engagement is of a different nature to that of a formal audit or a review of information, as those terms are understood in applicable to relevant auditing and accounting standards. We do not, as part of this exercise, perform an audit, review, or examination of any of the historical, present or prospective financial information used and therefore, does not express any opinions with regard to it.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy. The value might be adjusted should more specific and update information of the valuation subject is made available to us.

We have made reference to the information provided by the Management in arriving at our opinion on value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this report. We assumed that financial and other information provided to us are accurate and complete.

We have not investigated the title to or any legal liabilities against Qinghui Properties Group. We have assumed no responsibility for the title to Qinghui Properties Group.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, and future prospects of Qinghui Properties Group provided to us by the Management.

## 14. REMARKS

The Management has reviewed and agreed on the report and confirmed the factual content of the report.

We hereby confirm that we have neither present nor prospective interests in Qinghui Properties Group, the Group or the value reported herein.

## 15. OPINION ON VALUE

Based on the investigation and analysis stated above and on the valuation methods employed, we are of the opinion that the fair value of the Equity Interest as at the Valuation Date was in the sum of **RMB0 (RENMINBI ZERO ONLY)**.

Respectfully submitted,
For and on behalf of
**VALPLUS CONSULTING LIMITED**
**Damon S.T. Wan,** *CFA, FRM, MRICS*
*Founding Partner*

Analyzed and reported by: **Stella S.Y. Lam,** *CFA* Senior Manager

**Jason Soong** Assistant Manager

## ADDENDUM I – VALUATION APPROACHES

### *Market Approach*

The market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interests in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

### *Asset Approach*

The asset approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operations, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interests of the business entity.

### *Income Approach*

The income approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

## ADDENDUM II – COMPARABLE COMPANIES PROFILE

***Guangdong Shunkong Development Co., Ltd. – 003039 CH***

Guangdong Shunkong Development Co., Ltd. operates water business. The Company provides tap water production, supplying, and other services. Guangdong Shunkong Development also conducts central heating, environmental testing, and other businesses.

***Anhui Shunyu Water Co., Ltd. – 301519 CH***

Anhui Shunyu Water Co., Ltd. operates water affairs. The Company conducts secondary water supply, sewage treatment business, and other businesses. Anhui Shunyu Water provides services in China.

***Wuhan Xianglong Power Industry Co., Ltd. – 600769 CH***

Wuhan Xianglong Power Industry Co., Ltd. engages in water supply business. The Company operates water treatment and water distribution. Wuhan Xianglong Power Industry also conducts construction business.

***Jiangsu Jiangnan Water Co., Ltd. – 601199 CH***

Jiangsu Jiangnan Water Co., Ltd. offers water supply services. The Company provides water transmission, water system management, water network maintenance, and other services. Jiangsu Jiangnan Water also operates public infrastructure investment.

***Jiangsu United Water Technology Co., Ltd. – 603291 CH***

Jiangsu United Water Technology Co., Ltd. operates water utility businesses. The Company provides tap water supply, sewage treatment, water supply system transformation, and other related services. Jiangsu United Water Technology also offers water ecological restoration services.

***China Water Affairs Group Ltd. – 855 HK***

China Water Affairs Group Ltd. provides water and sewage treatment facilities. The Company operates urban water supply, piped drinking water, sewage treatment, and drainage services. China Water Affairs Group serves customers in Asia.

***Universal Technologies Holdings Ltd. – 1026 HK***

Universal Technologies Holdings Ltd., through its subsidiaries, engages in investment holding, property investment, building management and water supply.

***Taizhou Water Group Co., Ltd. – 1542 HK***

Taizhou Water Group Co., Ltd. provides water supply services. The Company offers water transmission, water system management, water network maintenance, and other services. Taizhou Water Group also operates sewage treatment.

## ADDENDUM III – DISCOUNT RATE DERIVATION

WACC comprises of two components: cost of debt and cost of equity. It is calculated taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

WACC = We x Re + Wd x Rd x ( 1 – T )

in which

| | | |
|---|---|---|
| Re | = | cost of equity |
| Rd | = | cost of debt |
| We | = | portion of equity value to enterprise value |
| Wd | = | portion of debt value to enterprise value |
| T | = | corporate tax rate |

The cost of equity is developed through the application of the Capital Asset Pricing Model ("**CAPM**") with reference to the required rates of return demanded by investors for similar projects. The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as non-systematic. A major requirement in generating the cost of equity is to identify companies that are comparable to the business related to the subject in terms of business nature and associated risks.

The cost of equity for the business related to the subject is the sum of the risk-free rate return, the equity risk premium required by investors to compensate for the systematic risk assumed with adjustments for increment for risk differentials of the business related to the subject versus those of the comparable companies, if applicable, including risk adjustments for size ("**Small Capitalization Risk Premium**"), start-up business ("**Start-up Risk Premium**"), lack of marketability of privately held companies ("**Liquidity Risk Premium**") and other risk factors in relation to the comparable companies ("**Company Specific Risk Premium**").

***Discount rate calculation***

| | | Formula | Input |
|---|---|---|---|
| 1) | Risk free rate | | 1.9% |
| 2) | Equity beta | | 0.9 |
| 3) | Market risk premium | | 9.7% |
| 4) | Size premium | | 2.7% |
| 5) | Company specific risk premium | | 2.0% |
| 6) | Cost of equity | (1) + (2) x (3) + (4) + (5) | 15.1% |
| 7) | Weight of equity | | 60.6% |
| 8) | Cost of debt | | 4.9% |
| 9) | After-tax cost of debt | | 3.7% |

| | | Formula | Input |
|---|---|---|---|
| 10) | Weight of debt | | 39.4% |
| 11) | Discount rate | (6) x (7) + (9) x (10) | 10.6% |

* Figures above are subject to rounding

*Notes:*

1) This is the 10-year yield of China Government Bond, which is sourced from Bloomberg.

2) This is the average of adjusted beta of comparable companies, which is sourced from Bloomberg.

3) This is the adjusted equity market risk premium, which is sourced from Bloomberg and Damodaran Online, a common and widely used information source of valuation, corporate finance and investment management.

4) This is to account for the higher return of smaller company stocks, which is based on the research published by Duff & Phelps, LLC.

5) This is the increased required return for risk specific to the company in relation to the uncertainty of profitability and track record of Qinghui Properties.

6) Cost of equity = risk free rate + equity beta x market risk premium + size premium + company specific risk premium.

7) This is based on weight of equity of comparable companies, which is sourced from Bloomberg.

8) This is based on the China Above-5 Year Best Lending Rate.

9) After-tax cost of debt = cost of debt x (1 – corporate income tax rate).

10) This is based on weight of debt of comparable companies, which is sourced from Bloomberg.

11) This is based on weighted average cost of capital.

**ADDENDUM IV – STAFF BIOGRAPHY**

**Damon S.T. Wan,** *CFA, FRM, MRICS*
Founding Partner

Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing.

**Stella S.Y. Lam,** *CFA*
Manager

Ms. Stella S.Y. Lam is a CFA Charterholder and has been working in the valuation industry since 2016. She is experienced in intangible assets, financial instruments and business valuation.

**Jason Soong**
Assistant Manager

Mr. Jason Soong has a background in Mathematical Sciences and previously worked in the accounting and consulting industry. He has extensive experience in business valuation, property valuation, data analysis, and project management across diverse sectors.

*The following is the text of a report, received from the Company's independent reporting accountants, McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

McMillanWoods
Professionalism at the forefront

24/F., Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 49% OF THE EQUITY INTEREST IN QINGHUI PROPERTIES LIMITED

**To the Directors of Universal Technologies Holdings Limited**

We have completed our assurance engagement to report on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 25 August 2026 prepared by Valplus Consulting Limited in respect of the 49% equity interest (the "**Sale Shares**") in Qinghui Properties Limited (the "**Target Company**") as at 31 December 2025 is based. The Valuation is set out in the circular of Universal Technologies Holdings Limited (the "**Company**") dated 25 August 2026 (the "**Circular**") in connection with the proposed disposal of the Sale Shares. The Valuation based on the discounted future estimated cash flows of the Target Company and its subsidiaries (the "**Target Group**") is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

**Directors' Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out on page 9 of the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibility**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 29(2) of Appendix D1B to the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted estimated future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. The discounted future estimated cash flows have been prepared for the purpose of the Valuation as disclosed in the Circular, and may not be suitable for other purposes. Accordingly, we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

**Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in all material respects in accordance with the Assumptions determined by the directors of the Company.

**McMillan Woods (Hong Kong) CPA Limited**
*Certified Public Accountants*
Hong Kong
25 August 2026

*The following is the text of a report received from Astrum Capital Management Limited, the financial adviser to the Company, for the purpose of incorporation in this circular.*

ASTRUM

25 August 2026

**Universal Technologies Holdings Limited**
Room A & B2, 11th Floor
Guangdong Investment Tower
No. 148 Connaught Road Central
Sheung Wan, Hong Kong

**Attention: The Board of Directors**

Dear Sirs,

We refer to (i) the circular of Universal Technologies Holdings Limited (the "**Company**") dated 25 August 2026 (the "**Circular**") in connection with the proposed disposal (the "**Disposal**") of 49% of the equity interest in Qinghui Properties Limited (the "**Target Company**", and together with its subsidiaries, the "**Target Group**"); and (ii) the valuation report (the "**Valuation Report**") prepared by Valplus Consulting Limited (the "**Independent Valuer**") in respect of the valuation of the fair value of 49% of the equity interest of the Target Company as at 31 December 2025, a copy of which is set out in Appendix II to the Circular. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast (the "**Profit Forecast**") for the purpose of Rule 14.61 of the Listing Rules and, accordingly, the requirements under Rule 14.60A of the Listing Rules are applicable.

We, as the financial adviser to the Company, have reviewed the Profit Forecast, for which the Directors are solely responsible, and have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Valuation, and have reviewed the letter dated 25 August 2026 from McMillan Woods (Hong Kong) CPA Limited, the reporting accountants of the Company, as set out in Appendix III to the Circular. McMillan Woods (Hong Kong) CPA Limited is of the opinion that the Profit Forecast, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions determined by the Directors.

On the basis of the foregoing and the calculations reviewed by McMillan Woods (Hong Kong) CPA Limited, without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Independent Valuer on the Valuation, for which the Independent Valuer and the Company are responsible, we are of the opinion that the Profit Forecast underlying the Valuation, for which the Directors are solely responsible, has been made after due and careful enquiry. The Directors are responsible for the preparation of the Profit Forecast in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Profit Forecast for the Valuation and applying appropriate basis of preparation, and making estimates that are reasonable in the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us has been undertaken for the purpose of reporting solely to you under Rule 14.60A of the Listing Rules and for no other purpose. We have not independently verified the assumptions or computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value on the Target Group to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Independent Valuer, including all information, materials, and representations referred to or contained in the Circular, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Circular and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,
For and on behalf of
**Astrum Capital Management Limited**
**Hidulf Kwan**
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) 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 companies

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives 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 (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:–

| Name | Type of interests | Number of shares | Approximate percentage of interests |
|---|---|---|---|
| Ms. Zhu *(Note 1)* | Interest in controlled corporations | 1,561,140,000 | 28.32% |

*Notes:*

1. Ms. Zhu is deemed to be interested in the 1,561,140,000 shares attributable to Ms. Zhu and her controlled corporations, Affluent Vast, Ever City and Eastcorp. For more details on the deemed interest of Ms. Zhu, Affluent Vast, Ever City and Eastcorp, please refer to Note 1 to the section head "Notifiable interests and short positions of substantial shareholders and other persons in the Shares, underlying shares and debentures" below.

2. There were no debt securities nor debentures issued by the Group as at the Latest Practicable Date.

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

**(b) Interests and short positions of substantial shareholders of the Company in the Shares, underlying shares and debentures**

So far as the Directors or chief executive of the Company were aware, as at the Latest Practicable Date, other than the Directors and the chief executives, the following persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:

| Name | Type of interests | Number of shares | Approximate percentage of interests |
|---|---|---|---|
| Ever City *(Note 1)* | Beneficial owner and interest in controlled corporation | 1,561,140,000 | 28.32% |
| Ms. Zhu *(Note 1)* | Interest in controlled corporations | 1,561,140,000 | 28.32% |
| Affluent Vast *(Note 1)* | Interest in controlled corporations | 1,561,140,000 | 28.32% |
| Eastcorp *(Note 1)* | Beneficial owner | 600,000,000 | 10.88% |
| Ms. Wang Yingqi (“**Ms. Wang**”) *(Note 2)* | Beneficial owner and interest in controlled corporations | 550,020,000 | 9.98% |
| Global Pay Easy Technology Company Limited (“**GPE Guangzhou**”) *(Note 2)* | Interest in controlled corporation | 550,000,000 | 9.98% |
| Global Pay Easy (Hongkong) Technology Limited (“**GPE HK**”) *(Note 2)* | Beneficial owner | 550,000,000 | 9.98% |

*Notes:*

1. As at the Latest Practicable Date, Ms. Zhu, Affluent Vast and Ever City are deemed to be interested in 1,561,140,000 shares, representing approximately 28.32% of the total issued share capital of the Company, comprising (a) 961,140,000 shares directly held by Ever City; and (b) 600,000,000 shares held by Eastcorp. Ever City is wholly and beneficially owned by Affluent Vast and Affluent Vast is wholly and beneficially owned by Ms. Zhu. Therefore, Ever City is deemed to be a controlled corporation of Affluent Vast and Ms. Zhu. Eastcorp is wholly and beneficially owned by Ever City. Therefore, Eastcorp is deemed to be a controlled corporation of Ever City, Affluent Vast and Ms. Zhu.

2. According to the DI filings, as at the Latest Practicable Date, (a) GPE HK was interested in 550,000,000 shares of the Company, representing 9.98% of the total issued share capital of the Company; (b) GPE HK is wholly owned by GPE Guangzhou, which was in turn 85.0% owned by Ms. Wang and Ms. Wang was personally interested in 20,000 shares of the Company.

3. There were no debt securities nor debentures issued by the Group as at the Latest Practicable Date.

Save as disclosed above, so far as Directors or chief executive of the Company were aware, as at the Latest Practicable Date, there were no other persons who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

## 3. DIRECTORS' SERVICE CONTRACTS

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

## 4. INTEREST IN CONTRACT OR ARRANGEMENT

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

## 5. INTEREST IN ASSETS

As at the Latest Practicable Date, (a) the Target Company is owned as to 49% by the Vendor and as to 51% by the Purchaser, respectively; (b) the Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse; and (c) Ms. Zhu is an executive Director and a substantial Shareholder deemed to be interested in 1,561,140,000 Shares (representing approximately 28.32% of the issued share capital of the Company), which comprise (i) 961,140,000 Shares directly held by Ever City (wholly-owned by Affluent Vast, which is in turn wholly-owned by Ms. Zhu); and (ii) 600,000,000 Shares held by Eastcorp (wholly-owned by Ever City).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset 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 30 June 2025, being the date to which the latest published audited financial statement of the Company were made up.

## 6. COMPETING INTEREST

As at the Latest Practicable Date, save for Ms. Zhu and her spouse's 51% indirect shareholding interest in the Target Company via the Purchaser, none of the Directors had any business or interest that competes or may compete with the business of the Group and had any other conflict of interest with the Group.

## 7. MATERIAL LITIGATION

The followings are the litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

Reference is made to the Company's Cessation Notice Announcement dated 3 March 2020 regarding the Cessation Notice issued by the Water Bureau on the cessation of water intake of Qixinggang Water Plant operated by WSD Company (a subsidiary of the Group) and the commencement of full water intake from the Government-designated Water Plant, and the previous financial reports of the Company. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement and the previous financial reports of the Company.

As disclosed in the Cessation Notice Announcement and the previous financial reports of the Company, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. Since October 2020, WSD Company received various writs of civil claim from the Government-designated Water Plant, alleging to claim against WSD Company the "cost of water supply" for various time periods. At the relevant time, after seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore was without legal basis (the "**Group's View**"). However, the Group has made provision on the basis of its own estimation of the cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

In August and September 2024, the Group received civil judgments from the Qingyuan Court, notifying the Group that the Group's View was disagreed by the Court and ordering the WSD Company to pay water charges, plus overdue interest accruing at the rate of 1-year term loan market quoted interest rate, and litigation and related charges (the "**Ancillary Charges**"), to the Government-designated Water Plant. Up to the Latest Practicable Date, WSD Company received six writs of civil claims from the Government-designated Water Plant for total alleged water costs of approximately RMB630.9 million, plus total alleged Ancillary Charges of approximately RMB39.5 million, of which approximately RMB261.7 million was already settled. However, as explained above, the Group has made provision of water costs regardless of the stage of dispute/litigation with Government-designated Water Plant, on the basis of estimation adjusted from time to time according to Court judgments. Regarding the cases for which final civil judgments were rendered by the Court, the Company will continue to seek legal advice including without limitation as regards the reasonableness of water unit charges, interest rate and accruing period. Regarding the cases for which final civil judgments were yet to be rendered, the Group will continue to seek legal advice to uphold its position, and/or take other actions as may be appropriate in the circumstances. Certain bank accounts of WSD Company were frozen as a result of the dispute/litigation with Government-designated Water Plant. As at 31 July 2026, the Group had restricted bank deposits of approximately HK$165.3 million, all of which were attributable to the Target Group.

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

## 8. MATERIAL CONTRACTS

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

(i) the lease agreement dated 31 December 2024 and entered into between Guangzhou Hengxin Yuxuan Industrial Development Limited, an indirect wholly-owned subsidiary of the Company, and General Office, Guangdong Provincial Committee of the Communist Party of China in relation to the leasing of certain premises at the Mall for a term of 5 years commencing on 1 January 2025 for use by the Group's commercial property leasing business;

(ii) the framework agreement dated 1 August 2025 and entered into between Shenzhen Huanye and Guangzhou Jincheng, pursuant to which Shenzhen Huanye proposed to acquire certain premises at the Mall for the indicative consideration of not more than RMB260 million (approximately HK$285.71 million);

(iii) the Sale and Purchase Agreement; and

(iv) the Supplemental Agreement.

## 9. EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinions or advices contained in this circular:–

| Name | Qualification |
|---|---|
| Astrum Capital Management Limited | a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |
| Red Sun Capital Limited | a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| McMillan Woods (Hong Kong) CPA Limited | Certified Public Accountants |
| Valplus Consulting Limited | an independent professional valuer |

Each of the above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 30 June 2025), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 10. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Tang Chi Wai, who is also a financial controller and authorised representative of the Company. Mr. Tang is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, a Chartered Tax Adviser of the Taxation Institute of Hong Kong, a Certified Internal Auditor of the Institute of Internal Auditors, and a holder of the Practitioner's Endorsement from the Hong Kong Chartered Governance Institute.

Mr. Tang also holds various professional qualifications and memberships. He is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in English and Wales, and the Chartered Institute for Securities & Investment. He is a fellow member of Hong Kong Securities and Investment Institute, the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Society of Chinese Accountants & Auditors, the Hong Kong Chartered Governance Institute, the Chartered Governance Institute, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners & Strategists, Hong Kong Investor Relations Association and the Hong Kong Institute of Directors.

(ii) The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(iii) The Company's principal place of business in Hong Kong is situated at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong.

(iv) The principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited, whose registered office is situated at Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

(v) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, whose registered office is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uth.com.hk) for a period of not less than 14 days from the date of this circular up to and including the date of EGM:

(i) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 52 of this circular;

(ii) the Valuation Report prepared by Valplus Consulting Limited, the text of which is set out in Appendix II to this circular;

(iii) the report from McMillan Woods (Hong Kong) CPA Limited on the forecast underlying the Valuation on the Target Group, the text of which is set out in Appendix III to this circular;

(iv) the report from Astrum Capital Management Limited on the forecast underlying the Valuation on the Target Group, the text of which is set out in Appendix IV to this circular;

(v) the Sale and Purchase Agreement;

(vi) the Supplemental Agreement; and

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

# UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
# 環球實業科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1026)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of Universal Technologies Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Tuesday, 29 September 2026 at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

### ORDINARY RESOLUTION

1. "THAT:

   (a) the conditional sale and purchase agreement dated 5 June 2026 (as supplemented by the supplemental agreement dated 4 August 2026) (the "**Sale and Purchase Agreement**") and entered into between the Company, Shenzhen Huanye Universal Technologies Limited (the "**Vendor**"), Dongguan Hongshun Shaohe Development Co., Ltd. (the "**Purchaser**") and Qinghui Properties Limited (the "**Target Company**") in relation to the sale and purchase of 49% equity interest of the Target Company held by the Vendor (a copy of which has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) any one Director be and is hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement, and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Sale and Purchase Agreement which he/she considers necessary, desirable or expedient."

By order of the Board
**UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED**
**Chen Jinyang**
*Chairman*

Hong Kong, 25 August 2026

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

*Head office and principal place in Hong Kong:*
Room A & B2, 11th Floor
Guangdong Investment Tower
No. 148 Connaught Road Central
Sheung Wan, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her.

2. A proxy form for use at the EGM is enclosed in the circular of the Company of the same date of this notice. The proxy form must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or the person duly authorised.

3. To be valid, completed and signed proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged at the Company's branch share register and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM, and in such event, the instrument appointing a proxy previously submitted shall be deemed revoked.

4. Where there are joint holders of any Shares, any one of such persons may vote at the EGM either personally, or by proxy, in respect of such Shares as if he were solely entitled thereto, and if more than one of such joint holders are present at the EGM personally or by proxy, the joint holder whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

5. The transfer books and register of members of the Company will be closed from Wednesday, 23 September 2026 to Tuesday, 29 September 2026 (both days inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the EGM, all completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 22 September 2026.

6. If a tropical cyclone warning signal number 8 or above is hoisted, or "extreme conditions" caused by super typhoons or a black rainstorm warning is/are in effect any time after 8:00 a.m. on the date of the EGM, the EGM will not be held on that date but will be adjourned to a later date. If the EGM is adjourned, the Company will publish an announcement on the websites of the Company and the Stock Exchange to notify Shareholders of the date, time and venue of the rescheduled meeting.

*As at the date of this notice, the Board of Directors of the Company comprises three executive Directors namely Mr. Chen Jinyang (Chairman and Chief Executive Officer), Ms. Zhu Fenglian and Mr. Xuan Zhensheng; one non-executive Director namely Mr. Chen Lang; and three independent non-executive Directors namely Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai.*