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**CHINA ENVIRONMENTAL TECHNOLOGY AND  
BIOENERGY HOLDINGS LIMITED**

**中科生物控股有限公司**

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

**(Stock code: 1237)**

**CONNECTED TRANSACTION  
ISSUE OF NEW SHARES UNDER THE SHARE AWARD SCHEME  
AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Shareholders of the Company**



**長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED**

A notice convening the EGM of the Company to be held at Fushan Industrial District, Zhangping, Fujian, the PRC on Monday, 31 May 2021 at 4:15 p.m. or immediately after the annual general meeting of the Company to be held at 4:00 p.m. on the same date and at the same place as set out in the notice of EGM and a form of proxy are despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

A letter from the Board is set out on pages 3 to 9 of this circular.

A letter from Ever-Long Securities, the Independent Financial Adviser, containing its advice to the Independent Shareholders is set out on pages 11 to 25 of this circular.

13 May 2021

<b>CONTENTS</b>
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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	10
<b>Letter from the Independent Financial Adviser</b> .....	11
<b>Appendix — General information</b> .....	26
<b>Notice of extraordinary general meeting</b> .....	30

## DEFINITIONS

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

“2021 Award”	the Award of the Connected Award Shares to the Connected Participants
“Announcement”	the announcement of the Company dated 20 April 2021 in relation to, among others, the issue of new Shares under the Share Award Scheme
“associates”	has the meaning ascribed to this term under the Listing Rules
“Award”	the award of the Award Shares to the Selected Participants
“Award Shares”	the Shares be awarded to the Selected Participants under the Share Award Scheme, which, for the avoidance of doubt, includes the Connected Award Shares
“Board”	the board of Directors
“Company”	China Environmental Technology and Bioenergy Holdings Limited, a company incorporated under the laws of Hong Kong and whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1237)
“Connected Award Shares”	the Award Shares to be settled by way of issue and allotment of 29,648,016 new Shares pursuant to the Specific Mandate to be obtained at the EGM
“Connected Participants”	the Selected Participants who are connected persons of the Company, being Mr. Wu Zheyang and Ms. Xie Qingmei, who are Directors
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for considering and approving, among others, the Award to the Connected Participants and the Specific Mandate
“Ever-Long Securities” or “Independent Financial Adviser”	Ever-Long Securities Company Limited (長雄證券有限公司), a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders

## DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the official currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders which are not required to abstain from voting at the EGM to approve the 2021 Award
“Latest Practicable Date”	10 May 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Zheyang, an executive Director
“Ms. Xie”	Ms. Xie Qingmei, an executive Director
“PRC” or “China”	the People’s Republic of China
“Selected Participant(s)”	the eligible person(s) selected by the Board for participation in the Share Award Scheme in respect of the award of the Award Shares
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 14 December 2020, as amended from time to time
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to issue and allot the Connected Award Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per

LETTER FROM THE BOARD



**CHINA ENVIRONMENTAL TECHNOLOGY AND  
BIOENERGY HOLDINGS LIMITED**

**中科生物控股有限公司**

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

**(Stock code: 1237)**

**Directors:**

*Executive Directors:*

Ms. Xie Qingmei

Mr. Wu Zheyang

*Independent Non-executive Directors:*

Mr. Lam Hin Chi

Prof. Jin Zhongwei

Prof. Su Wenqiang

*Registered Office:*

Unit 810, 8/F

212 Texaco Road

Tsuen Wan

New Territories

Hong Kong

13 May 2021

*To the Shareholders*

Dear Sirs or Madams,

**CONNECTED TRANSACTION ISSUE OF  
NEW SHARES UNDER THE SHARE AWARD SCHEME**

**INTRODUCTION**

Reference is made to the Announcement pursuant to which the Company announces that the Board has resolved to award an aggregate of 29,648,016 Connected Award Shares to Mr. Wu and Ms. Xie under the Share Award Scheme. The Connected Award Shares will be settled by way of issue and allotment of 29,648,016 Connected Award Shares pursuant to the Specific Mandate to be obtained in the EGM.

Mr. Wu and Ms. Xie are the executive Directors and are accordingly connected persons (as defined in Chapter 14A of the Listing Rules) of the Company and the 2021 Award of an aggregate of 29,648,016 Connected Award Shares to Mr. Wu and Ms. Xie under the Share Award Scheme shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

Mr. Wu and Ms. Xie and their respective associates are required to abstain from voting on the resolution(s) to approve the award of the Connected Award Shares and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, so far as the Directors were aware and based on available information, Mr. Wu and his associates are interested in 92,130,070 Shares and Ms. Xie and her associates are interested in 1,926,676 Shares, respectively representing approximately 11.76% and approximately 0.25% of the total issued share capital of the Company.

The purpose of this circular is to provide you with details of the award of Connected Award Shares and the advice from Independent Financial Adviser to the Independent Shareholders in relation to the award of Connected Award Shares.

### DETAILS OF AWARD OF THE CONNECTED AWARD SHARES

On 20 April 2021, the Board resolved to award an aggregate of 29,648,016 Connected Award Shares to the following Connected Participants, who are the connected persons of the Company, under the 2021 Award. The award of Connected Award Shares will be settled by way of issue and allotment of 29,648,016 new Shares pursuant to the Specific Mandate to be obtained in the EGM.

<b>Directors</b>	<b>Number of Award Shares</b>
Wu Zheyang	14,824,008
Xie Qingmei	<u>14,824,008</u>
Total	<u><u>29,648,016</u></u>

The number of Connected Award Shares granted to each of the Connected Participants under the 2021 Award was determined in accordance with their respective contributions to the Group.

Mr. Wu Zheyang and Ms. Xie Qingmei have abstained from voting on approving the relevant board resolution(s) on the award of the Connected Award Shares.

### General Information

The information in relation to the award of the 29,648,016 Connected Award Shares to the Connected Participants is set out below:

Securities to be issued:	29,648,016 Connected Award Shares
Funds to be raised:	No funds will be raised by the Company as a result of the issue and allotment of the Connected Award Shares
Identity of the allottees:	(1) Mr. Wu Zheyang (2) Ms. Xie Qingmei

## LETTER FROM THE BOARD

Market price of the Shares:	The closing price of the Shares on the date of the Announcement 2021 as quoted on the Stock Exchange is HK\$0.146 per Share. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is HK\$0.15 per Share. The closing price of the Shares on the Latest Practicable Date as quoted on the Stock Exchange is HK\$0.135 per Share.
Vesting:	The Connected Award Shares are not subject to any vesting conditions
Fund raising activities in the past 12 months:	The Company has not engaged in any fund raising activities in the 12 months immediately preceding the date of the Announcement

### Conditions

The grant of the Connected Award Shares to the Connected Participants under the 2021 Award shall be subject to the following conditions:

- (a) the grant of the listing approval by the Stock Exchange in respect of the Connected Award Shares; and
- (b) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Connected Award Shares under the Specific Mandate.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 29,648,016 Connected Award Shares.

### Details of Connected Award Shares

The aggregate of 29,648,016 Connected Award Shares to be issued and allotted by the Company to the Connected Participants under the 2021 Award represents approximately 3.78% of the existing total number of issued Shares of the Company as at the Latest Practicable Date and approximately 3.65% of the total number of issued Shares of the Company as enlarged by the issue and allotment of the Connected Award Shares (assuming that there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the completion date of issue and allotment of the Connected Award Shares).

## LETTER FROM THE BOARD

As at the Latest Practicable Date and immediately upon the issue and allotment of the Connected Award Shares, the shareholding structure of the Company is as follows, assuming that there are no changes to the number of Shares in issue other than changes as a result of the issue and allotment of the Connected Award Shares:

	<b>As at the Latest Practicable Date</b>		<b>Immediately upon the issue of the Connected Award Shares</b>	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
<b>Substantial Shareholders</b>				
Green Seas Capital Limited	89,929,482	11.47%	89,929,482	11.06%
Hong Kong Run De Holdings Limited	86,000,000	10.97%	86,000,000	10.57%
Hong Kong Guoyuan Group Capital Holdings Limited	140,350,000	17.91%	140,350,000	17.25%
Han Hong	64,152,860	8.19%	64,152,860	7.89%
Han Jin	61,883,860	7.90%	61,883,860	7.61%
<b>Directors</b>				
Wu Zheyang	2,200,588	0.28%	17,024,596	2.09%
Xie Qingmei	1,926,676	0.25%	16,750,684	2.06%
<b>Other public Shareholders</b>	<u>337,306,934</u>	<u>43.03%</u>	<u>337,306,934</u>	<u>41.47%</u>
<b>Total</b>	<u><u>783,750,400</u></u>	<u><u>100.00%</u></u>	<u><u>813,398,416</u></u>	<u><u>100.00%</u></u>

Based on the closing price of HK\$0.146 per Share as quoted on the Stock Exchange as at the date of the Announcement, the market value of the 29,648,016 Connected Award Shares awarded under the 2021 Award is HK\$4,328,610.

The Connected Award Shares, when issued and fully paid, shall rank *pari passu* among themselves and with other issued Shares, with the right to receive all dividends and other distributions to be declared, made or paid on or after the date of allotment.

### **Reasons for the award of the Connected Award Shares**

The Group is principally engaged in the business of manufacturing and sales of wooden products, retail sales of outdoor wooden products and manufacturing and sales of renewable energy products.

The Board considers that the award of the Connected Award Shares to the Connected Participants provides incentives to the Connected Participants and will allow the Group to attract, retain and motivate talents for the continual operation and development of the Group. The award of the Connected Award Shares to the Connected Participants recognises their continual support to the Group and their effort to promote the Group's future development.



## LETTER FROM THE BOARD

In assessing and determining the number of Connected Award Shares for each Connected Participant, the Board has considered Mr. Wu's and Ms. Xie's extensive experience in the timber industry, their length of service to the Group and their contributions to the Group over the years.

### *Mr. Wu's contributions to the Group*

Mr. Wu joined Zhangping Kimura Forestry Products Co. Ltd since 1997 and obtained ample experiences in the timber products industry including the production process, research and development and the invention process of new timber products. He served the Group for more than 24 years and has successfully transformed the Zhangping Kimura from a regional timber production plant to a sizeable listing group. In 2012, Mr. Wu successfully brought the Group to its listing on the Stock Exchange, marking a significant milestone of the Group's development. In 2016, Mr. Wu successfully expanded the Group's footprint to the Australasian market and the Group's product received positive market recognition. The Group's income from the Australasian market has achieved remarkable performance of approximately RMB20 million in 2016 to RMB225 million in 2020, representing a CAGR of 82.4%, making it the largest income stream of the Group. The success of the expansion to the Australasian market also helped the Group to get over the challenges brought by the Sino-US trade conflicts and the initiation of new anti-dumping duty and countervailing duty investigations by the US government, ensuring the sustainable development of the Group.

### *Ms. Xie's contributions to the Group*

Ms. Xie joined Zhangping Kimura since 1999 and has been mainly responsible for the procurement function of the Group since 2003. Ms. Xie served the Group for more than 22 years and has assisted the Group's growth through expanding the Group's procurement channels from local to global. Under Ms. Xie's direction over the procurement function, the Group has been able to secure stable supply of materials at competitive prices, which ensure the competitiveness of the Group's products, and enabled the Group to remain competitive at difficult time throughout the Sino-US trade conflicts and help the Group to step into the Australasian market.

The Board has also considered the aggregate number of Connected Award Shares to be awarded to each Connected Participant under the Share Award Scheme, which shall not be exceed 2% of the total number of issued Share. The allotment of the Connected Award Shares to each of the Connected Participants representing approximately 1.89% of the existing total number of issued Shares and is therefore in accordance with the rules of the Share Award Scheme.

Furthermore, there will not be any actual cash outflow by the Group under the award of the Connected Award Shares to provide incentives to the Connected Participants.

Having considered the above, the Directors consider that the allotment of the Connected Award Shares to the Connected Participants and the terms and conditions of the Connected Award Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LETTER FROM THE BOARD**

### **LISTING RULES IMPLICATION**

Mr. Wu and Ms. Xie are the executive Directors and are accordingly connected persons (as defined in Chapter 14A of the Listing Rules) to the Company and the award of an aggregate of 29,648,016 Connected Award Shares to Mr. Wu and Ms. Xie under the Share Award Scheme shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wu, Ms. Xie and their respective associates are required to abstain from voting on the resolution(s) to approve the award of the Connected Award Shares and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, so far as the Directors were aware and based on available information, Mr. Wu and his associates are interested in 92,130,070 Shares and Ms. Xie and her associates are interested in 1,926,676 Shares, respectively representing approximately 11.76% and approximately 0.25% of the total issued share capital of the Company as at the Latest Practicable Date.

Save for the aforesaid and to the best knowledge, information and belief of the Board, no other Shareholder is required to abstain from voting on the resolution(s) to approve the award of the Connected Award Shares and the transactions contemplated thereunder at the EGM.

### **EGM**

A notice convening the EGM of the Company to be held at Fushan Industrial District, Zhangping, Fujian, the PRC on Monday, 31 May 2021 at 4:15 p.m. or immediately after the annual general meeting of the Company to be held at 4:00 p.m. on the same date and at the same place as set out in the notice of EGM and a form of proxy for the EGM are despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

### **RECOMMENDATION**

The Directors consider that terms of the Award of the Connected Award Shares are fair and reasonable and the issue and allotment of the Connected Award Shares are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the grant of the Specific Mandate.

## LETTER FROM THE BOARD

Your attention is drawn to the letter from Independent Financial Adviser, which contains its advice to the Independent Shareholders in relation to the award of the Connected Award Shares and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 11 to 25 of this circular.

### GENERAL

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

Yours faithfully,  
**China Environmental Technology  
and Bioenergy Holdings Limited**  
**Xie Qingmei**  
*Chairlady*



**CHINA ENVIRONMENTAL TECHNOLOGY AND  
BIOENERGY HOLDINGS LIMITED**

**中科生物控股有限公司**

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

**(Stock code: 1237)**

13 May 2021

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
ISSUE OF NEW SHARES UNDER THE SHARE AWARD SCHEME**

We refer to the circular of the Company dated 13 May 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you on whether the terms of the Award are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolution regarding the Award of the Connected Award Shares.

Ever-Long Securities has been appointed to advise us and the Shareholders as to whether the terms of the award of the Connected Award are fair and reasonable so far as the Shareholders are concerned, whether such terms Shares are in the interests of the Company and the Shareholders as a whole and how to vote on the resolution regarding the award of the Connected Award Shares. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 11 to 25 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 3 to 9 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the award of Connected Award Shares and the advice of Ever-Long Securities, we are of the opinion that although the issue and allotment of Connected Award Shares is not in the ordinary and usual course of business of the Group, the terms of the issue and allotment of the Connected Award Shares are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and the issue and allotment of the Connected Award Shares are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the award of the Connected Award Shares.

Yours faithfully,  
Independent Board Committee of

**China Environmental Technology and Bioenergy Holdings Limited**

**Mr. Lam Hin Chi**

**Prof. Su Wenqiang**

**Prof. Jin Zhongwei**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of a letter of advice from Ever-Long Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Connected Award Shares to the Connected Participants under the 2021 Award.*



*Room 1101–02, 1111–12,  
11/F Wing On Centre,  
111 Connaught Road  
Central, Hong Kong*

13 May 2021

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

Dear Sirs or Madams,

### **CONNECTED TRANSACTION ISSUE OF NEW SHARES UNDER THE SHARE AWARD SCHEME**

#### **I. 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 grant of the Connected Award Shares under the 2021 Award, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 13 May 2021 (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 otherwise requires.

On 20 April 2021, the Board resolved to award an aggregate of 29,648,016 Connected Award Shares to Mr. Wu and Ms. Xie under the Share Award Scheme, which will be settled by the way of issue and allotment of Connected Award Shares pursuant to the Specific Mandate to be obtained in the EGM.

Mr. Wu and Ms. Xie are the executive Directors and are interested in approximately 11.76% and 0.25% of the issued share capital of the Company respectively, and are accordingly connected persons (as defined in Chapter 14A of the Listing Rules) to the Company and award of an aggregate of 29,648,016 Connected Award Shares to Mr. Wu and Ms. Xie under the Share Award Scheme, being the Connected Participants, will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Wu and Ms. Xie and their respective associates are required to abstain from voting on the resolution(s) to approve the award of the Connected Awarded Shares and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, so far as the Directors were aware and based on available information, Mr. Wu and his associates are interested in 92,130,070 Shares and Ms. Xie and her associates are interested in 1,926,676 Shares, respectively representing approximately 11.76% and approximately 0.25% of the total issued share capital of the Company.

As at the Latest Practicable Date, an aggregate of 29,648,016 Connected Award Shares to be issued and allotted by the Company to Mr. Wu and Ms. Xie, representing approximately 3.78% of the existing total number of issued Shares and approximately 3.65% of the total number of issued Shares as enlarged by the issue and allotment of the Connected Award Shares (assuming that there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the completion date of issue and allotment of the Connected Award Shares).

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang has been formed to advise the Independent Shareholders on whether the terms of the Connected Award Shares are fair and reasonable and issue and allotment of the Connected Award Shares are in the interests of the Company and Shareholders as a whole. We, Ever-Long Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we will receive any benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### II. BASIS AND ASSUMPTIONS

In formulating our opinion, we have relied upon (i) the rules of the Share Award Scheme; (ii) the statements, information, opinions and representations contained in the Circular; (iii) the information and representations provided to us by the Company for which it is solely responsible; (iv) the opinions expressed by and the representations of the Directors and the management of the Group, and (v) our review of the relevant public information. We have assumed that all the information and knowledge, were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. The documents reviewed by us include, but are not limited to, the Share Award Scheme, the Company's remuneration policy, the calculation of Award Shares to be awarded to the Selected Employees, the Announcement, the final results of the Company for the financial year ended 31 December 2020 (the "**2020 Annual Results Announcement**") and the Circular.

We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and their respective advisers nor to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries or associates.

### **III. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation, we have considered the following principal factors and reasons:

#### **1. Background of and reasons for the award of the Connected Award Shares**

##### *1.1 Information on the Group*

The principal activities of the Group are manufacturing and sales of wooden products, retail sales of outdoor wooden products and manufacturing and sales of renewable energy products.

Revenue from timber houses and their related parts and structures remained the largest income stream of the Group in 2020. Revenue from such category decreased by 34.1% to RMB374.0 million (2019: RMB567.9 million), mainly attributable to the decrease in sales to the North America market as a result of the anti-dumping and countervailable subsidies investigations launched by the US Department of Commerce during the year. Overall revenue from the leisure household products drastically increased by 25.5% to RMB90.6 million (2019: RMB72.1 million), mainly attributable to the increase in sales of landscape garden products during the year.

##### *Loss for the year*

The net loss for the enlarged from RMB64.5 million for the year ended 31 December 2019 to RMB93.1 million for the year ended 31 December 2020 due to the Group recorded other net loss of RMB36.2 million for the year ended 31 December 2020 (2019: other net loss RMB4.7 million).

The increased other net loss was mainly attributable to the impairment of construction-in progress (included in property, plant and equipment) recognised during the year ended 31 December 2020 amounting to RMB24.6 million.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises the financial information of the Group for the audited results for the years ended 31 December 2019 and 31 December 2020 extracted from the 2020 Annual Results Announcement, both of which are prepared in accordance with International Financial Reporting Standards:

	<b>For the year ended</b>		<b>Year-on-year</b>
	<b>31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>change (%)</b>
	<i>RMB'000</i>	<i>RMB'000</i>	
	(audited)	(audited)	
<b>Revenue</b>			
Manufacturing and sales of wooden products	486,102	687,132	-29.3%
Retail Sales of outdoor wooden products	—	29	-100.0%
Manufacturing and sales of renewable energy products	6,487	6,891	-5.9%
	492,589	694,052	-29.0%
<b>Loss before tax</b>	(97,218)	(64,303)	-51.2%
<b>Loss for the year</b>	(93,099)	(64,471)	-44.4%

Although the COVID-19 pandemic continues to present uncertainties in 2021, the management of the Group believes that the Group's strong foundation, deliberate strategic focus and effective commercial actions will drive continued improvement of its business across markets in 2021. Hence, in achieving the Group's growth and to navigate the Group through the pandemic ridden market, it is essential to retain valuable talents and senior leaders instrumental.

### ***1.2 Reasons for the award of the Connected Award Shares***

On 20 April 2021, the Board resolved to award an aggregate of 29,648,016 Connected Award Shares to Mr. Wu and Mr. Xie under Share Award Scheme, representing approximately 3.78% of the existing total number of issued Shares as at the Latest Practicable Date and approximately 3.65% of the total number of issued Shares as enlarged by the issue and allotment of the Connected Award Shares (assuming that there will be no other changes in the total number of Shares between the Latest Practicable Date and the completion date of issue and allotment of the Connected Award Shares).

As set out in the Letter from the Board, the Board considers that the award of the Connected Award Shares to the Connected Participants provides incentive to them and will allow the Group to attract, retain and motivate talents for the continual

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

operation and development of the Group. The award of the Connected Award Shares to the Connected Participants recognises their continual support to the Group and their effort to promote the Group's future development.

The purposes of the Share Award Scheme are (i) to align the interests of the eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain the eligible persons to make contributions to the long-term growth and profits of the Group. Therefore, as set out in the Letter from the Board, the Group has resolved to grant the Connected Award Shares to Mr. Wu and Ms. Xie under the Share Award Scheme, with a view to further motivate employees to maximise the Company's long-term interests and highlight the principle of performance-based awards so as to create more value for the Group in the future.

In assessing the fairness and reasonableness of the granting of the Connected Award Shares, we (i) have discussed with the management of the Company that, it is crucial to provide attractive equity compensation to encourage and retain employees to make contributions to long-term growth and profit of the Group; (ii) have reviewed resumes of Mr. Wu and Ms. Xie and noted that they have extensive experience in the timber industry and made contributions to the Group over the years; and (iii) as disclosed in the section headed "2. Principal terms of the Connected Award Shares" below, found that it is a common practice of the Company to issue Award Shares to employees, senior executives and/or directors to link their interests with the Company. Based on the above, we are of the view that the granting of Connected Award Shares to Mr. Wu and Ms. Xie is fair and reasonable.

As set out in the Letter of the Board, there will not be any actual cash outflow by the Group under the 2021 Award, which the Connected Award Shares to the two Connected Participants are to recognise the continual support to the Group and their effort to promote the Group's future development.

We have also discussed with the management of the Company regarding the benefits of the 2021 Award as an incentive scheme. They have considered several methods of providing incentives to the Connected Participants, including but not limited to bonus, carried interest as well as the 2021 Award. After careful consideration of the various alternatives, the Directors consider the 2021 Award to be the most appropriate given that, as opposed to the other alternatives, the 2021 Award will enable the Company to prevent cash outflow while allowing added incentives to the two Connected Participants to make future contribution to the operation of the Group. In addition, the economic benefits of the 2021 Award are dependent on the improvement in the share price of the Company and hence the two Connected Participants can only benefit when all the Shareholders are also in a position to benefit. The Directors are thus of the view that the 2021 Award will align the interests of the Connected Participants with the Company together with the Shareholders. In determining the number of Connected Award Shares to be issued to each of the Connected Participants we were given to understand from the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

management of the Company that they have considered, inter alia, (i) the performance and contribution of each of the Connected Participant; and (ii) the duration of the Connected Participants working in the Group.

In this regard, the Directors consider that the terms of the Connected Award Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### *1.3 Proposed issue and allotment of the Connected Award Shares*

The two Connected Participants are both executive Directors of the Group. The following summarises the information of the two Connected Participants:

Mr. Wu, aged 41, is an executive Director and chief executive officer of the Company. Mr. Wu was appointed as a Director on 17 October 2011. He joined Fujian Zhangping Kimura Forestry Products Co. Ltd (“**Zhangping Kimura**”) as a workshop director since 1997 and obtained knowledge and experiences in the timber products industry including the production process, research and development and the invention process of new timber products. Mr. Wu became the general manager in May 2000 and the director and legal representative of Zhangping Kimura in January 2006. Mr. Wu graduated from Sichuan University in June 2009 with a Diploma in business administration (Distance education). Mr. Wu is the visiting professor of Central South University of Forestry and Technology and Fujian Agriculture and Forestry University.

Ms. Xie, aged 53, was appointed as an executive Director on 15 June 2012 and as the Chairlady on 23 May 2016. Ms. Xie is primarily responsible for procurement matters in respect of the Group. She has over 15 years of experience in corporate management and procurement. Ms. Xie joined the Group in 1999, and she has been a deputy general manager of Zhangping Kimura since 2001 and a director of Zhangping Kimura since 2006. Ms. Xie was in charge of the sales department of Zhangping Kimura as well as supervising procurement from June 1999 to December 2000, and has been running the procurement department of Zhangping Kimura since 2003.

In assessing and determining the number of Connected Award Shares for each Connected Participant, the Board has considered Mr. Wu’s and Ms. Xie’s extensive experience in the timber industry, their length of service to the Group and their contributions to the Group over the years.

#### *Mr. Wu’s contributions to the Group*

Mr. Wu joined Zhangping Kimura since 1997 and obtained ample experiences in the timber products industry including the production process, research and development and the invention process of new timber products. He served the Group for more than 24 years and has successfully transformed the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhangping Kimura from a regional timber production plant to a sizeable listing group. In 2012, Mr. Wu successfully brought the Group to its listing on the Stock Exchange, marking a significant milestone of the Group's development.

In 2016, Mr. Wu successfully expanded the Group's footprint to the Australasian market and the Group's product received positive market recognition. The Group's income from the Australasian market has achieved remarkable performance of approximately RMB20 million in 2016 to RMB225 million in 2020, representing a CAGR of 82.4%, making it the largest income stream of the Group. The success of the expansion to the Australasian market also helped the Group to get over the challenges brought by the Sino-US trade conflicts and the initiation of new antidumping duty and countervailing duty investigations by the US government, ensuring the sustainable development of the Group.

### *Ms. Xie's contributions to the Group*

Ms. Xie joined Zhangping Kimura since 1999 and has been mainly responsible for the procurement function of the Group since 2003. Ms. Xie served the Group for more than 22 years and has assisted the Group's growth through expanding the Group's procurement channels from local to global. Under Ms. Xie's direction over the procurement function, the Group has been able to secure stable supply of materials at competitive prices, which ensure the competitiveness of the Group's products, and enabled the Group to remain competitive at difficult time throughout the Sino-US trade conflicts and help the Group to step into the Australasian market.

The Board has also considered the aggregate number of Connected Award Shares to be awarded to each Connected Participant under the Share Award Scheme and not exceed 2% of the total number of issued Share. The allotment of the Connected Award Shares to each of the Connected Participants representing approximately 1.89% of the existing total number of issued Shares and is therefore in accordance with the rules of the Share Award Scheme.

In arriving at our recommendation, we have considered the principal factors and reasons as discussed above and as summarised below:

1. Despite revenue of the Group decreased by 29% and net loss of the Group increased by 44% for the year ended 31 December 2020, the award of the Connected Award Shares to the Connected Participants are meant to recognise their continual support to the Group over the years and not purely for their performance for the year ended 31 December 2020. Mr. Wu and Ms. Xie have made contributions to the Group over the years but yet being rewarded specifically for their remarkable performance in terms of open up the largest income stream of the Group from Australasian market for Mr. Wu and expanding the Group's procurement channels from local to global so as to secure stable supply of materials at competitive prices for Ms. Xie; and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. There will not be any actual cash outflow by the Group under the award of the Connected Award Shares to provide incentives to the Connected Participants as well as to further motivate employees to maximise the Company's long-term interests and highlight the principle of performance-based awards so as to create more value for the Group in the future. In addition, the economic benefits of the 2021 Award are dependent on the improvement in the share price of the Company and hence the two Connected Participants can only benefit when all the Shareholders are also in a position to benefit, thereby aligning the interests of the Connected Participants with the Company together with the Shareholders.

We therefore consider that (i) it is fair and reasonable for granting of Connected Award Shares as recognition for their past performance and to retain the Connected Participants for future business development; and (ii) it is in the interests of the Company and the Shareholders as a whole in this regard.

### 2. Principal terms of the Connected Award Shares

The information in relation to the Connected Award Shares is set out below:

Securities to be issued:	29,648,016 Connected Award Shares
Funds to be raised:	No funds will be raised by the Company as a result of the issue and allotment of the Connected Award Shares
Identity of the allottees:	(1) Mr. Wu Zheyang (2) Ms. Xie Qingmei
Market price of the Shares:	The closing price of the Shares on 20 April 2021 as quoted on the Stock Exchange is HK\$0.146 per Share, being the date of the Announcement. The average closing price of the Shares for the five consecutive trading days immediately preceding 20 April 2021 as quoted on the Stock Exchange is HK\$0.15 per Share.
Vesting:	The Connected Award Shares are not subjected to any vesting conditions
Fund raising activities in the past 12 months:	The Company has not engaged in any fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the grant of the 29,648,016 Connected Award Shares to the two Connected Participants is subject to (a) the grant of the listing approval by the Stock Exchange in respect of the Connected Award Shares; and (b) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Connected Award Shares under the Specific Mandate. Application will be made by the Company to the Stock Exchange for the granting of the listing of, and the permission to deal in, an aggregate of 29,648,016 Connected Award Shares.

### *2.1 Vesting period of the Connected Award Shares*

The Connected Award Shares are not subject to any vesting period. The Company had considered the performance for each Connected Participant before deciding the actual amount of Connected Award Shares. According to our discussion with the management of the Company, we understand that the Board adopts the 2021 Award after considering (i) the market practice of listed companies and other comparable peer companies' practices listed on the Stock Exchange; and (ii) the duration of the Connected Participants working in the Group.

To assess the fairness and reasonableness on the award of the Connected Award Shares adoption of the 2021 Award and the vesting period of the Connected Award Shares, we have, to our best effort and knowledge, identified seventeen comparable companies which are listed on the Main Board of the Stock Exchange and had announced the grant of awarded shares to their respective employees, senior executives and/or directors in the approximate three month period immediately before the Board resolved to award the Connected Award Shares (i.e. the period from 20 January 2021 to 19 April 2021) (the “**Comparable Grants**”). Shareholders should note that the business, operations and financial performance of the companies offering the Comparable Grants are not the same as the Company and we have not conducted any in-depth investigation into the businesses and operations of the companies offering the Comparable Grants. However, we consider that the Comparable Grants could provide the Independent Shareholders with a general reference of companies listed on the Main Board of the Stock Exchange granting awarded shares and the length of the vesting period. The list of comparable is an exhaustive list and we are of the opinion that the list with seventeen comparable covering the period is fair, sufficient and representative to illustrate the recent trend and terms under common market practice. Set out below is a comparison of the Comparable Grants:

Company name (Stock Code)	Date of announcement	Grantee	Vesting date/period	Number of award shares/ number of issued shares
China Mengniu Company Limited (2319)	15/4/2021	Total grantees not disclosed, including 1 connected person	50% on the first anniversary date of the grant date; and 50% on the second anniversary date of the grant date	0.13%
Riverine China Holdings Limited (1417)	12/4/2021	17 grantees, including 2 connected persons	Not disclosed	2.03%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock Code)	Date of announcement	Grantee	Vesting date/period	Number of award shares/ number of issued shares
Bison Finance Group Limited (0888)	9/4/2021	12 grantees, including 3 connected persons	Within 10 business days after the date of acceptance	3.70%
Shangri-La Asia Limited (0069)	9/4/2021	1 grantee, including 1 connected person	Immediate	0.20%
Elife Holdings Limited (223)	8/4/2021	1 grantee, including 1 connected person	25% on 8 April 2021; 25% on 1 July 2021; 25% on 1 October 2021; and 25% on 1 January 2022	0.16%
Hong Kong Television Network Ltd (1137)	31/3/2021	1 grantees, including 1 connected person	20% on 31 December, 2021; 20% on 31 December, 2022; 20% on 31 December, 2023; 20% on 31 December, 2024; and 20% on 31 December, 2025	4.80%
BOE Varitronix Limited (710)	29/3/2021	72 grantees, including 5 connected persons	40% on 28 April 2021; 30% on 28 April 2022; 30% on 28 April 2023	0.86%
NetDragon Websoft Holdings Limited (777)	26/3/2021	1 grantee, including 1 connected persons	Immediate	0.02156%
Budweiser Brewing Company APAC Limited. (1876)	26/3/2021	Total grantees not disclosed, including 9 connected persons	100% on 31 December 2021	1.21%
China Modern Dairy Holdings Limited (1117)	25/3/2021	160 grantees, including 2 connected persons	100% on the first anniversary of the date of grant	0.33%
Razer Inc.(1337)	25/3/2021	7 grantees, including 7 connected persons	25% on each of 1 April 2021, 1 January 2022, 1 January 2023 and 1 January 2024	0.0196%
Chong Hing Bank Limited (1111)	16/3/2021	58 grantees, including 3 connected persons	25% on first calendar year after the grant date; 25% on second calendar year after the grant date; 25% on third calendar year after the grant date; and 25% on fourth calendar year after the grant date	0.07518%



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock Code)	Date of announcement	Grantee	Vesting date/period	Number of award shares/ number of issued shares
SITC International Holdings Company Limited (1308)	12/3/2021	634 grantees including 4 connected persons	100% on the third anniversary of the date of grant, i.e. 9 March 2024 or an earlier date as approved by the board	0.18%
Edvantage Group Holdings Limited (382)	22/2/2021	9 grantees including 3 connected persons	Not Disclosed	0.09128%
Earthasia International Holdings Limited (6128)	28/1/2021	10 grantees including 2 connected persons	Immediate	2.034%
NagaCorp Ltd (3918)	28/1/2021	Total grantees not disclosed, including 6 connected persons	100% on 30 June 2021	0.450%
Frontage Holdings Corporation (1521)	26/1/2021	184 grantees, including 2 connected persons	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025, or an earlier date as approved by the board	1.120%

As shown from the above table, we noted that the number of the award shares which the Comparables Grants granted to their respective independent and connected grantees as at the date of the relevant grant ranged between approximately 0.0196% and 4.8% of the total number of shares in issue on the date of their respective announcement. Equity compensation, including provision of share-based incentives to participants, is common among public companies. The aggregate number of Connected Award Shares to be awarded to each Connected Participant under the Share Award Scheme did not exceed 2% of the total number of issued Share, which is in accordance with the rules of the Share Award Scheme. As at the Latest Practicable Date, the Connected Award Shares to the Connected Participants under Share Award Scheme, representing approximately 3.78% of the existing total number of issued Shares (assuming that there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the completion date of issue and allotment of the Connected Award Shares), which is within the range represented by the Comparables Grants.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The vesting period of the Comparable Grants ranged from immediate to five years. As detailed in the section headed “1.2 Reasons for the award of the Connected Award Shares” above, the Connected Participants had made contributions to the Group over the years and the Connected Award Shares to the two Connected Participants are to recognise the continual support to the Group and their effort to promote the Group’s future development. In addition, the economic benefits of the 2021 Award are dependent on the improvement in the share price of the Company and hence the two Connected Participants can only benefit when all the Shareholders are also in a position to benefit. The Directors are thus of the view that the 2021 Award will align the interests of the Connected Participants with the Company together with the Shareholders. Thus, we concur with the Directors that, the 2021 Award is in line with the market practice in terms of provision of share-based incentives to participants, is common among public companies and it is reasonable not to impose any vesting period to the Connected Participants as recognition to their past contributions to the Group.

### ***2.2 Market price of the Connected Award Shares under the 2021 Award***

Based on the closing price of HK\$0.146 per Share as quoted on the Stock Exchange as at 20 April 2021, being the date of the Announcement, and the closing price of HK\$0.135 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the aggregate market value of 29,648,016 Connected Award Shares under the 2021 Award was HK\$4,328,610 and HK\$4,002,482, respectively. No fund will be raised by the Company as a result of the issue and allotment of the Connected Award Shares.

## **3. Potential financial effects of the Connected Award Shares**

### ***3.1 Earnings***

After granting of the Connected Award Shares under the 2021 Award to the Connected Participants, the value of such award would be allocated and charged as expenses of the Group for the relevant financial year. No fund will be raised as a result of the issue and allotment of the Connected Award Shares.

### ***3.2 Net assets value***

According to the 2020 Annual Results Announcement, the net assets of the Group was approximately RMB812.6 million as at 31 December 2020. Upon the issue and allotment of the Connected Award Shares, the share capital and the reserves of the Group would increase by the amount equivalent to the market value of the Connected Award Shares, and the same amount will be recognised in the Group’s expenses. Accordingly, the total net assets would remain unchanged.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3.3 Liquidity

Save for the administrative and professional expenses relating to the issue and allotment of Connected Award Shares, the 2021 Award will not have any impact on the cash position and net current assets of the Group as no cash outlay by the Group is required.

#### 4. Dilution effect on the shareholding interests of the existing public Shareholders

Immediately after the allotment and issue of 29,648,016 Connected Award Shares to the Connected Participants, the shareholding of the existing public will be diluted from approximately 43.03% to 41.47%.

As at the Latest Practicable Date and immediately upon the issue and allotment of the Connected Award Shares, the shareholding structure of the Company is as follows, assuming that there are no changes to the number of Shares in issue other than changes as a result of the issue and allotment of the Connected Award Shares:

	<b>As at the Latest Practicable Date</b>		<b>Immediately upon the issue of the Connected Award Shares</b>	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
<b>Substantial Shareholders</b>				
Green Seas Capital Limited	89,929,482	11.47%	89,929,482	11.06%
Hong Kong Run De Holdings Limited	86,000,000	10.97%	86,000,000	10.57%
Hong Kong Guoyuan Group Capital Holdings Limited	140,350,000	17.91%	140,350,000	17.25%
Han Hong	64,152,860	8.19%	64,152,860	7.89%
Han Jin	61,883,860	7.88%	61,883,860	7.61%
<b>Directors</b>				
Wu Zheyang	2,200,588	0.28%	17,024,596	2.09%
Xie Qingmei	1,926,676	0.25%	16,750,684	2.06%
<b>Other public Shareholders</b>	<u>337,306,934</u>	<u>43.03%</u>	<u>337,306,934</u>	<u>41.47%</u>
 Total	 <u>783,750,400</u>	 <u>100.00%</u>	 <u>813,398,416</u>	 <u>100.00%</u>

Despite the dilution effect on the shareholding structure of the Company, having considered the reasons of granting the Connected Awards Shares as set out above, we are of the opinion that the potential dilution to the Independent Shareholders is acceptable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATION

Having considered the 2021 Award (i) will allow the Group to provide equity compensation to encourage and retain employees to make contributions to long-term growth and profit of the Group and the Connected Participants had made contributions to the Group over the years; (ii) will align the interests of the Connected Participants through ownership of Connected Award Shares; and (iii) is in line with the market practice, we are of the opinion that although the issue and allotment of Connected Award Shares is not in the ordinary and usual course of business of the Group, the terms of the issue and allotment of the Connected Award Shares are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and the issue and allotment of the Connected Award Shares are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the issue and allotment of the Connected Award Shares to the Connected Participants.

Yours faithfully,  
For and on behalf of  
**Ever-Long Securities Company Limited**  
**Koid Chee Ling**  
*Director*

*Ms. Koid Chee Ling is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Ever-Long Securities Company Limited. She has over ten years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable inquiries, 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 OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in Appendix 10 of the Listing Rules were as follows:

### (1) Long positions in the Shares, underlying shares and debentures of the Company

Name of Director/ chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Wu Zheyuan	Ordinary	89,929,482 <sup>(1)</sup>	Corporate	11.47%
		2,200,588	Individual	0.28%
Xie Qingmei	Ordinary	1,926,676	Individual	0.25%

*Notes:*

- (1) Wu Zheyuan is deemed to be interested in the shares held by Green Seas Capital Limited, his wholly-owned subsidiary.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code in Appendix 10 of the Listing Rules.

### 3. DIRECTORS' INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (c) None of the Directors or chief executive of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

### 4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### 5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

#### Long positions in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial Shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Green Seas Capital Limited	89,929,482 <sup>(Note 1)</sup>	14.56%
Hong Kong Run De Holdings Limited	86,000,000 <sup>(Note 2)</sup>	13.92%
Hong Kong Guoyuan Group Capital Holdings Limited	137,826,000 <sup>(Note 3)</sup>	22.31%
Han Hong	64,152,860	0.39%
Han Jin	61,883,860	0.02%

*Notes:*

1. The entire issued share capital of Green Seas Capital Limited is legally and beneficially owned by Mr. Wu Zheyang, who is deemed to be interested in the Shares held by Green Seas Capital Limited.
2. The entire issued share capital of Hong Kong Run De Holdings Limited is legally and beneficially owned by 福建沃若石油化工有限公司. The 98% issued share capital of 福建沃若石油化工有限公司 is legally and beneficially owned by Mr. Lin Jian, who is deemed to be interested in the shares held by Hong Kong Run De Holdings Limited.
3. The entire issued share capital of Hong Kong Guoyuan Group Capital Holdings Limited is legally and beneficially owned by 上海荊勳工業設備控股有限公司. The 98% issued share capital of 上海荊勳工業設備控股有限公司 is legally and beneficially owned by Mr. Wang Xin, who is deemed to be interested in the shares held by Hong Kong Guoyuan Group Capital Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 6. MATERIAL ADVERSE CHANGE

As disclosed in the annual results announcement of the Company dated 31 March 2021, on 22 January 2021, the United States International Trade Commission (“US ITC”) determined that a United States industry is materially injured by reason of imports of wood mouldings and millwork products from the PRC and that the US Commerce has determined are subsidised and sold in the United States at less than fair value.

As a result of the US ITC’s affirmative determinations, US Commerce will issue antidumping and countervailing duty orders on imports of these products from the PRC and The U.S. cash deposits at a rate totaled at 54.43% will be collected from importers of the Group’s relevant products.

The Group, as an exporter, is not directly obliged to pay such cash deposits but in the opinion of the directors of the Company, the imposition of such cash deposits will be taken into account in the pricing negotiations with the Group customers in the United States.

As at the Latest Practicable Date, the Directors have been monitoring and assessing the impact of the antidumping and countervailing duties on the Group, and will make further announcements as and when appropriate under the Listing Rules.

Except as disclosed above, as at the Latest Practicable Date, the Directors confirmed that there was not any material adverse change in the financial or operation positions of the Group since 31 December 2020, the date to which the latest published audited consolidated accounts of the Group were made up.

## 7. MATERIAL LITIGATION

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

## 8. QUALIFICATION AND CONSENT OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Ever-Long Securities	A licensed corporation to conduct Type 1 (dealing in Securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Ever-Long Securities had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Ever-Long Securities was not interested, directly or indirectly, in any assets which had since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Ever-Long Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection during normal business hours at the registered address of the Company in Hong Kong at Unit 810, 8/F, 212 Texaco Road, Tsuen Wan, New Territories, Hong Kong from the date of this circular up to and including 31 May 2021:

- (a) a copy of the Share Award Scheme;
- (b) the letter from Ever-Long Securities to the Independent Shareholders in respect of the issue of new Shares under the Share Award Scheme; and
- (c) the letter of consent referred to the paragraph headed “Qualification and Consent of Expert” in this appendix;
- (d) the memorandum in relation to the issue of the Connected Award Shares to the Connected Participants;
- (e) the Letter from the Board; and
- (f) this circular.

## NOTICE OF EXTRAORDINARY GENERAL MEETING



### CHINA ENVIRONMENTAL TECHNOLOGY AND BIOENERGY HOLDINGS LIMITED

中科生物控股有限公司

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

**(Stock code: 1237)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of China Environmental Technology and Bioenergy Holdings Limited (the “**Company**”) will be held at Fushan Industrial District, Zhangping, Fujian, the PRC on Monday, 31 May 2021 4:15 p.m. or immediately after the annual general meeting of the Company to be held at 4:00 p.m. on the same date for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

**“THAT:**

- (a) the grant of specific mandate to the Directors regarding the issue and allotment of an aggregate of 29,648,016 new shares (“**Connected Award Shares**”) to Mr. Wu Zheyang and Ms. Xie Qingmei, who are selected by the Board (the “**Selected Participants**”) for participation in the share award scheme adopted by the Company on 14 December 2020 (the “**Share Award Scheme**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) (the “**Award**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the grant of 14,824,006 award shares pursuant to the Share Award Scheme to Mr. Wu Zheyang is hereby approved and confirmed;
- (c) the grant of 14,824,006 award shares pursuant to the Share Award Scheme to Ms. Xie Qingmei is hereby approved and confirmed; and
- (d) any one or more of the Directors be and is/are hereby authorized to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation



## NOTICE OF EXTRAORDINARY GENERAL MEETING

of and giving effect to the Award and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Connected Award Shares pursuant to the Share Award Scheme.”

By Order of the Board  
**China Environmental Technology and  
Bioenergy Holdings Limited**  
**Xie Qingmei**  
*Chairlady*

Hong Kong, 13 May 2021

*Notes:*

1. All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In order to determine the entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from 26 May 2021 to 31 May 2021 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the extraordinary general meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on 25 May 2021.
5. As at the date of this notice, the executive directors of the Company are Ms. Xie Qingmei and Mr. Wu Zheyang and the independent non-executive directors of the Company are Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.